

From Awareness to Action

2005 Annual Report
and 2006-2008
Service Plan

DOC
BC
W6
B
2005
c.3

WORK SAFE BC

WORKING TO MAKE A DIFFERENCE

Strategic Foundations of WorkSafeBC

Our mandate

Workers' compensation in B.C. is founded on the principle of mutual protection. This principle arose from a historic compromise in which workers relinquished their right to sue their employer and in exchange employers agreed to fund a no-fault insurance system.

The British Columbia *Workers Compensation Act* enshrines this historic compromise and creates WorkSafeBC (the Workers' Compensation Board). WorkSafeBC is an independent agency governed by a Board of Directors appointed by government. It is WorkSafeBC's mandate to work with workers and employers to:

- Promote the prevention of workplace injury, illness, and disease
- Rehabilitate those who are injured and assist with timely return to work
- Provide fair compensation to replace lost wages for injured workers during their recovery
- Ensure sound financial management for a viable workers' compensation system

Our commitment

To make a difference one human being at a time.

Our mission

To add value for workers and employers by:

- Assisting them to create a culture of health and safety in the workplace
- Delivering quality decisions and advice
- Providing compassionate and supportive service
- Ensuring solid financial stewardship now and in the future

Our guiding principles and premises

We, the officers and agents of WorkSafeBC, believe that:

- We must focus on our mandate, which includes prevention, rehabilitation, and compensation.
- We must promote healthy and safe workplaces through enforcement, consultation, and education.
- We can be most effective when we enlist the co-operation of workers and employers in preventing workplace injury, illness, disease, and death.
- Societal change is essential for creating a culture of health and safety in the workplace, and we play a principal role in effecting this change.
- When a worker is injured, our priority must be that worker's rehabilitation and return to work.
- We must be driven by a service orientation that is attained through effective delivery of WorkSafeBC programs and services. In doing so, we are dedicated to empowering our front-line staff through support and ongoing development and training opportunities.
- We must preserve the financial integrity and stability of the system.
- We must add value to the workers' compensation system and be an asset to our stakeholders and to the province of British Columbia.
- We must remain sensitive to the strategic priorities and comply with the legislated directions of the B.C. government.

To fulfill its mandate, WorkSafeBC is enabled by:

- Transparent and accountable policies and regulations that define the type and amounts of compensation paid to

injured workers, prescribe occupational health and safety standards, and determine how the system is funded and administered

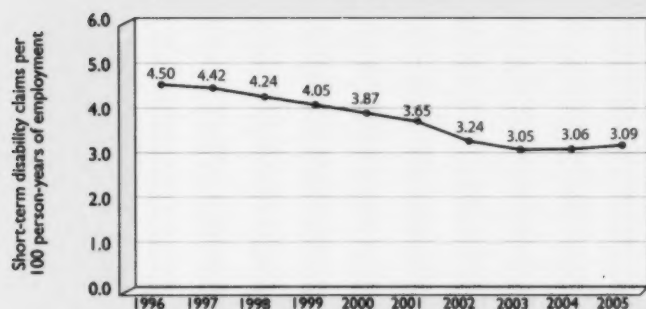
- A full range of responsive programs that meet the individual prevention, compensation, assessment, and rehabilitation needs of stakeholders
- Professional, compassionate, and highly trained people working together to deliver quality service
- Effective and efficient processes that ensure quality and service excellence and eliminate bureaucracy
- Innovative and responsive services designed to meet the individual needs of stakeholders throughout the system

Our service

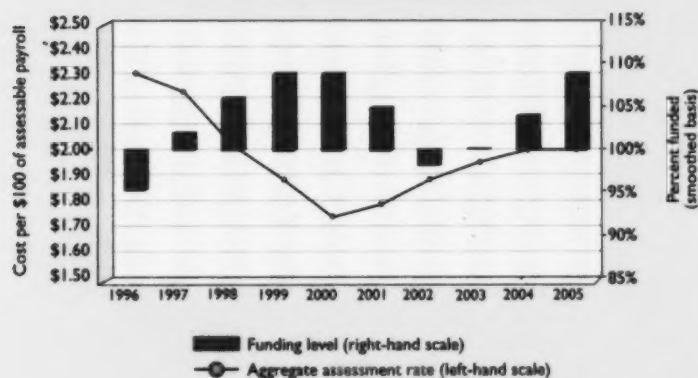
WorkSafeBC is an independent statutory agency that serves nearly 2 million workers and approximately 184,000 employers throughout B.C. It is funded through insurance premiums paid by registered employers and through investment returns. In administering the *Workers Compensation Act*, WorkSafeBC remains separate and distinct from government. However, WorkSafeBC is accountable to the public through the provincial government, which is responsible for protecting and maintaining the overall well-being of the workers' compensation system.

Operational Highlights

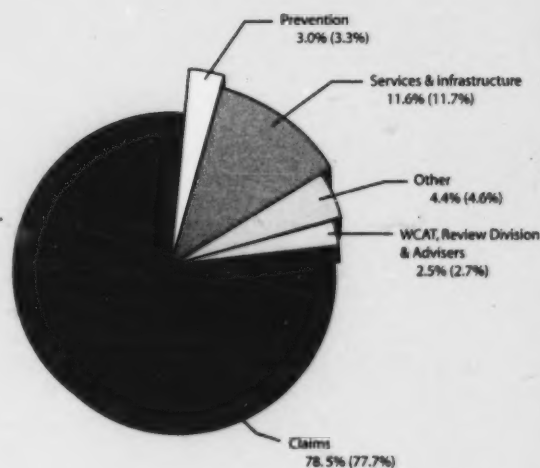
Injury rate



Assessment rate and funded ratio



Allocation of 2005 expenses (2004)



Key financial comparatives

(\$ millions)	2005 actual (fair value)	2005 actual (smoothed)	2005 plan (smoothed)	2004 actual (smoothed)
Premium income ¹	1,233	1,233	1,096	1,164
Investment income	632	622	484	522
Claim costs ²	(1,097)	(1,097)	(1,155)	(1,050)
Operating and prevention costs (gross) ¹	(298)	(298)	(297)	(289)
Surplus from normal operations	470	460	128	346
Gains from non-recurring items	4	4	—	—
Total surplus from operations	474	464	128	346
Unrealized market value gains (other comprehensive income)	493	—	—	—
Total comprehensive income	967	464	128	346
Total assets	11,045	9,626	9,303	8,968
Total liabilities	8,808	8,808	8,827	8,614
Reserves	440	440	260	260
Unappropriated balance	690	379	215	94
Accumulated other comprehensive income	1,107	—	—	—
Market rate of return on investment	12.5%	12.5%	—	10.3%
Accounting rate of return on investment	—	7.2%	5.9%	6.4%
Percent funded	125.4%	109.3%	105.4%	104.1%

¹ Excludes injury-reduction initiatives

² Excludes capitalized claim administration costs



Contents

Message from the Chair	4
About WorkSafeBC	5
Message from the President	6
Financial Context	7
From Awareness to Action: Building a Safety Culture	8
Governance	10
Accountability	11
Report of the Auditor General of British Columbia	12

Our Performance

Measuring Our Performance	16
Performance Targets and Results	20

Our Finances

Management Discussion and Analysis	40
Financial Review	51

Appendices

Appendix A: Linking Costs with Goals and Strategies	76
Appendix B: Comparing Results with Other Jurisdictions	78
Appendix C: Operating Environment	82

Message from the Chair



In recent years, WorkSafeBC (the Workers' Compensation Board of B.C.) has been in transition. We have restructured our business operations and introduced a strategic plan that is guiding us into the future.

In 2005, WorkSafeBC successfully improved customer service and built awareness of workplace health and

safety; however, we were challenged by growing pressure on the overall injury rate and an unacceptable number of workplace fatalities. WorkSafeBC is addressing these challenges through a compliance and enforcement strategy, but everyone — workers, employers, and the general public — plays a role in reducing injuries and fatalities.

From awareness to action

In the past decade WorkSafeBC has worked with employers and workers to drive down the overall injury rate in B.C. by 30 percent. Injury rates are affected by many factors, including increased activity in high-risk industries; the number of new, young, and aging workers in the workplace; and societal beliefs and attitudes.

Currently, we are in an expanding economic environment. Disturbing trends are emerging, including an increase in the number of young workers killed on the job in 2005. Despite the efforts of WorkSafeBC and our workplace partners, the serious injury rate and fatality numbers in B.C. are not improving. This was exemplified in 2005 by the forestry sector, where there were a disturbing number of workplace injuries and deaths.

Still, we've come a long way in improving workplace safety. The vast majority of employers and workers value safety. But there are still people who believe that workplace injury is inevitable. Through stakeholder consultations conducted in 2005, we found that many British Columbians do not fully realize the frequency or impact of work-related injury and disease, the risks they face in the workplace, or their own legal rights and responsibilities relating to occupational safety.

WorkSafeBC wants to change these attitudes that contribute to workplace injury and death. To do so, we will reach out to traditional stakeholders and all British Columbians in 2006 and beyond until everyone believes that the only acceptable injury rate is zero. We will also initiate a targeted enforcement strategy that includes hiring more prevention officers who will focus on high-risk industries like forestry, and developing strategies to address emerging safety issues in workplace environments. Safety is a collective responsibility, and the commitment of all parties is required to make meaningful and lasting change.

Health and safety initiative

As the steward of the workers' compensation system in B.C., the Board of Directors of WorkSafeBC looks at the big picture. It must anticipate and respond to the challenges and changes that affect workplace health and safety.

In 2005, the Board of Directors' Health and Safety Initiative was introduced to examine the current and possible future state of the workers' compensation system in B.C. The Board led regional focus group sessions, conducted a series of electronic surveys, and hosted the Workplace Health and Safety Symposium. Participants discussed emerging risks and trends in workplace safety, standards and regulation, compliance and enforcement, the roles and relationships of key stakeholders, and public awareness of occupational health and safety.

The consultation phase of the Health and Safety Initiative concluded in 2005. In 2006, the Board of Directors will develop a comprehensive strategy for the future of the workers' compensation system in B.C.

Looking forward

The organizational changes at WorkSafeBC in the last few years have laid the foundation for a modern workers' compensation system. There are more changes to come that will further enhance our customer service and enable us to fulfill our mandate of safe and healthy workplaces. As I mentioned earlier, this includes a renewed focus on compliance and enforcement, continued development of industry-specific health and safety associations, ongoing dialogue and consultation with stakeholders on the future state of workers' compensation, and increased outreach to all British Columbians who have a stake in workplace safety. The workers and employers of British Columbia deserve a world-class workers' compensation system that is recognized as fair, efficient, and affordable.

The Board of Directors would like to recognize the hard work and dedication of WorkSafeBC staff whose contributions assist injured workers and their families every day and make B.C. workplaces safer. We would also like to thank the employer and worker communities and the unions and industry associations who share our commitment to ensuring that everyone goes home safely at the end of the day. And finally, I would like to thank Calvin Lee, outgoing Vice-Chair of WorkSafeBC's Board of Directors, for his years of service and dedication.

A stylized, handwritten signature of Douglas Enns, FCA, in black ink.

Douglas Enns, FCA
Chair
WorkSafeBC

About WorkSafeBC

WorkSafeBC is a provincial statutory agency dedicated to reducing — and eventually eliminating — injury, illness, disease, and death in B.C. workplaces, and to easing the physical, financial, and psychological burdens on workers and their families when they do occur.

To better reflect this mandate, the organization changed its name from the Workers' Compensation of Board of B.C. to WorkSafeBC in 2005. This new name conveys the spirit of WorkSafeBC's values and guiding principles as well as its commitment to prevention, return to work, and customer service. WorkSafeBC does more than just identify the organization: it epitomizes the essence of our vision of workers and workplaces safe and secure from injury, illness, and disease.

Although the name is new, WorkSafeBC's legislated responsibilities remain the same: to establish and enforce occupational health and safety standards; compensate and rehabilitate injured, ill, and disabled workers or provide benefits to their dependants; and assess and collect employer premiums to support and administer the workers' compensation system. To meet these responsibilities and fulfill its strategic goals, WorkSafeBC focuses its operations on the following areas of business:

Preventing workplace injury and illness

WorkSafeBC's vision is simple: Workers and workplaces safe and secure from injury, illness, and disease. In support of this vision, WorkSafeBC establishes standards and guidelines for occupational health and safety practices, educates and consults with workplace stakeholders, raises public awareness of workplace safety, and builds strategic partnerships with industry safety associations, unions, and other key stakeholders to improve health and safety in B.C. workplaces. Unlike most other workers' compensation agencies, which are often limited to an insurance function, WorkSafeBC has the legislative authority to monitor compliance with occupational health and safety law and regulation through workplace inspections, to investigate serious incidents, and in certain cases to levy financial penalties or other sanctions against employers for safety infractions.

Through its education, consultation, inspection, and enforcement activities, and with the help of external stakeholders, WorkSafeBC is working to improve the health and safety of workers in B.C. And, by minimizing the social and economic costs of work-related accidents, WorkSafeBC is contributing to British Columbians' quality of life and the province's competitive edge in the Canadian and world economies.

Compensating and rehabilitating injured workers

When work-related injuries or illnesses do occur, WorkSafeBC makes entitlement decisions on compensation benefits and administers health care and wage-loss benefits, permanent disability benefits, and survivor benefits for dependants of workers who are killed on the job. WorkSafeBC also works with external partners to rehabilitate injured workers and return them to lasting employment in a safe and timely manner.

Maintaining the financial sustainability of the system

WorkSafeBC assesses and collects employer premiums and invests those funds to cover the current and future costs of compensation benefits and the costs of administering the workers' compensation system. WorkSafeBC is committed to the principles of sound financial management and has numerous programs and strategies in place to minimize costs, maximize investment returns, and maintain the long-term financial sustainability of the system.

Providing impartial reviews

To maintain accountability and provide quality control, WorkSafeBC provides impartial reviews of its decisions related to compensation, assessment, and prevention, which are made under the *Workers Compensation Act*. During the review process, WorkSafeBC may overturn its initial decision if it is found to be incorrect or if new evidence comes to light. The internal review function helps WorkSafeBC improve the consistency, predictability, and quality of its decision making.

Supporting activities

WorkSafeBC conducts a variety of other activities in support of its strategic goals, including designing and implementing programs for improving internal efficiency, conducting investigations to limit WorkSafeBC's exposure to fraud, developing easy-to-use online services for external stakeholders, and reviewing and developing new policies and regulations to improve the overall functionality of the workers' compensation system. WorkSafeBC also supports organizational goals through professional development and training opportunities for staff, recruitment strategies, and continued investment in information systems and other capital resources for increased productivity and improved business capacity.

Message from the President



At WorkSafeBC, we look back on 2005 with a mixture of satisfaction and concern. On the one hand, we made great strides on many fronts, including achieving most of our strategic goals and getting the WorkSafe message out to new people and places. But 2005 also saw alarming trends in workplace fatalities,

and we faced challenges around some of our performance goals for the year.

Our goals

We can take pride in many achievements for 2005. Through strong financial results, we surpassed our funding ratio goal by four percentage points. The average employer premium rate remained stable at \$1.99 per \$100 of assessable payroll (still among the lowest in Canada), though we didn't see anticipated reductions due to a higher growth of employment in industries with higher rates. We reached a record-high approval rating of 77 percent and our administration costs were right on target.

However, we faced some challenges as we worked toward the goals we set in last year's report and service plan. We are especially concerned about the overall provincial injury rate, which we were unable to reduce by our target of 0.04 points. Instead, the injury rate rose slightly for the second year in a row after more than 10 years of steady decline. The increase is primarily attributed to a higher injury rate in the manufacturing sector and relatively higher rate of employment growth in the construction sector, which has an injury rate more than two times higher than all other industries combined (see page 20 for more information).

On the service front, injured workers rated WorkSafeBC 7.8 out of 10 for service (with 10 being excellent) for the second year in a row, which fell below our goal of 8 out of 10. However, employer satisfaction reached a record-high score of 8.3 out of 10, which exceeded our target for the year.

In the coming years we will continue to set high standards for ourselves in these important areas and to work toward improvement. We are paying close attention to recent troubling indicators and will focus more WorkSafeBC resources on programs to enhance our prevention and enforcement strategy, and reduce the injury rate — which should lower premium rates as well. We will also continue to build on the progress we've made in improving our service to workers and employers.

Call to action

No goal is more important than the health and safety of B.C. workers. I cannot overstate my concern about the alarming number of workplace fatalities we saw in 2005. By year's end, 188 people had died from a work-related injury, illness, or disease.¹ This compares with 134 fatalities last year and an average of 150 per year over the previous 10 years. It was an especially horrendous year in the forest industry, where more than 5,000 workers were injured and 49 lost their lives.²

While we understand some of the contributing factors — including the steady increase in accepted claims for occupational diseases and transportation accidents, as well as economic and demographic factors — we believe that societal attitudes also play a significant role in affecting the overall health and safety of B.C. workplaces.

With this in mind, I worked closely with the Chair of WorkSafeBC's Board of Directors throughout 2005, speaking to audiences throughout the province about the need to create a culture of safety. In 2006 and beyond, we need to reach more people, so that each and every British Columbian understands that we all bear the devastating consequences of workplace injury, illness, disease, and death.

It would not be possible to accomplish so much without the work of many people. I would like to thank WorkSafeBC staff for their dedication, expertise, and compassionate service. I would also like to thank members of the Board of Directors for their support and guidance and their personal commitment to WorkSafeBC's vision of safe and healthy workplaces. Finally, I would like to call on all British Columbians to take increased ownership of workplace safety — for themselves, their employees, their co-workers, and their families.

David Anderson, MBA
President and Chief Executive Officer
WorkSafeBC

¹ WorkSafeBC accepted 188 fatality claims in 2005.

² The number of injuries in forestry (including wood mills and log transportation) excludes health-care-only claims. The 49 deaths represent the number of forestry-related fatal claims accepted in 2005, though some deaths occurred in prior years.

Financial Context

Beginning with its 2004 financial statements, WorkSafeBC adopted the Canadian Accounting Standards Board's new standard requiring organizations across Canada to apply "fair value accounting." This standard requires that dividends, interest, and realized gains and losses be shown as operating income for the year. The standard also stipulates that all unrealized or market value gains and losses be included as comprehensive income for the year. These changes by definition increase volatility in WorkSafeBC's reported financial results, whereas the previous "smoothed" approach amortized realized and unrealized gains and losses over a five-year period, dampening the impact of market volatility.

Recognizing unrealized gains and losses in the year in which they occur affects the reported value of WorkSafeBC's portfolio of investments and hence its assets. However, since WorkSafeBC's investments are intended to yield returns over the long term, any apparent year-over-year gains in asset value are not necessarily available to lower employer premium rates; similarly, any apparent year-over-year losses would not necessarily signal the need to increase premium rates.

It is important for stakeholders to bear in mind that fair value accounting provides a snapshot-in-time reading of financial assets and thus financial market fluctuations can result in volatile financial results in the future. If employer premium rates were based solely on fair value results, they would be significantly more volatile from year to year.

For this reason, WorkSafeBC will continue to set rates using the smoothed approach. The smoothed investment accounting approach is based on a standard of practice established for all workers' compensation organizations in Canada by an independent study conducted in the early 1990s. This standard has been adopted by the Board of Directors for the purpose of setting employer premium rates. It takes into account the unique business requirements of Canadian workers' compensation systems, including the need for pricing stability (for employer premium rates) and benefit sustainability (for injured workers and dependants).

Changes to WorkSafeBC's funding policy

To ensure long-term financial sustainability of the workers' compensation system, WorkSafeBC believes that the present and future cost of claims arising in a given year should be covered by the premiums collected from employers who are active in that year. Any shortfall in funding essentially transfers claim costs to future employers. WorkSafeBC's funding policy seeks to avoid such an intergenerational transfer.

Prior to 2005, WorkSafeBC's targeted funding range allowed for up to 10 percent in annual unfunded liability, meaning that the estimated current and future cost of claims arising in any given year could be up to 10 percent higher than the aggregate value of WorkSafeBC's collected premiums and investments. This policy was established during an era of exuberant financial markets and sustained investment growth, when shortfalls in funding in one year could likely be counteracted by investment growth without significant cost transfer between generations of employers.

In 2005, WorkSafeBC's Board of Directors changed its funding policy so that total assets must now cover total liabilities by 100 to 130 percent. Recent experience and a changing investment climate indicate that future investment returns will likely be less favourable than those observed in the previous decade. WorkSafeBC must therefore strengthen its capital reserves to cushion the impact of infrequent but periodic market declines in order to avoid the potential of slipping into an extended unfunded position, which would lead to increased premiums for present and future employers. Experience in other jurisdictions has shown that an underfunded situation often puts pressure on the level of injury indemnity benefits as well. Therefore, ensuring a securely funded system is in the best interests of all stakeholders.

From Awareness to Action: Building a Safety Culture

WorkSafeBC has a principal role to play in driving home the message that workplace accidents are preventable and intolerable. Together with its partners, WorkSafeBC strives to transform the attitudes, beliefs, and behaviours that directly and indirectly influence health and safety on the job. The underlying goal is to create a culture of safety so that preventing workplace injury and illness becomes a primary and vital concern for all British Columbians.

Bringing the WorkSafe message home

To build social awareness of workplace health and safety issues and foster a greater commitment to prevention, WorkSafeBC uses a broad range of targeted communication channels — mass media campaigns, advertising, news releases, print publications, electronic media, presentations, and more.

In 2005, highlights included the Day of Mourning ceremony, which WorkSafeBC co-hosted to honour workers who were seriously injured or killed due to a work-related injury, illness, or disease. The ceremony and associated media campaign drew public attention to the unacceptable costs of workplace injury and death in B.C.

In response to ongoing workplace injury trends, WorkSafeBC also ran a series of television and radio ads on important occupational health issues such as young worker safety, workplace violence, and back strain (which accounts for one-quarter of all WorkSafeBC claims). And WorkSafeBC staff made hundreds of presentations to workers, employers, students, unions, and others, aimed at changing attitudes toward workplace health and safety and educating stakeholders about important prevention issues.

Through various print publications and electronic materials, WorkSafeBC continued to reach out to stakeholders to highlight the importance of safety in the workplace. In 2005, WorkSafeBC redesigned its web site, in part to make it easier for visitors to access health and safety information. WorkSafeBC developed a plethora of new health and safety materials for workers and employers. And, through its publications such as *WorkSafe Magazine* and services such as E-news, WorkSafeBC delivered pertinent health and safety information to tens of thousands of subscribers throughout B.C. and Canada.

Establishing a presence in the community

As part of its strategic plan, WorkSafeBC is building its name and corporate identity to firmly establish WorkSafeBC's safety role — not only in the workplace, but also within the community. To share the WorkSafeBC message with a broader public audience, WorkSafeBC entered a float in four community parades in 2005 and participated in events such as the Vancouver International Boat Show and the BC Home

and Garden Show. WorkSafeBC also got its message out into the community through special sponsorships, such as providing branded safety bumpers to 28 speed skating clubs and funding the Harry Jerome Comeback Award at the Sport BC Athlete of the Year Awards.

Reaching out to high-risk groups

To maximize the effectiveness of its communication and social outreach activities, WorkSafeBC targets many of its initiatives to the industries and stakeholder groups that face the highest risk of injury. Young workers (aged 24 and under), for example, are one of the most at-risk groups in the province. To educate young workers about the importance of workplace health and safety and to influence their attitudes, beliefs, and behaviours, WorkSafeBC produces and distributes a variety of educational materials. WorkSafeBC also participates in a number of joint safety initiatives with key industry, labour, and community partners. In 2005, WorkSafeBC gave more than 200 presentations to approximately 16,000 high school students, parents, and members of the public on how young workers can best protect themselves and others from work-related harm.

WorkSafeBC is also committed to reaching workers and employers who speak other languages. Many new immigrants to B.C. who do not speak English are unaware of their rights and responsibilities in the workplace, and may not understand the purpose of compensation insurance. To address this issue, WorkSafeBC initiated a long-term ethnic community outreach strategy in 2005. As a first step, WorkSafeBC officers held monthly meetings with immigrant workers at community service agencies in the Lower Mainland and Fraser Valley. Several health and safety publications were also translated into Punjabi, Chinese, and Spanish.

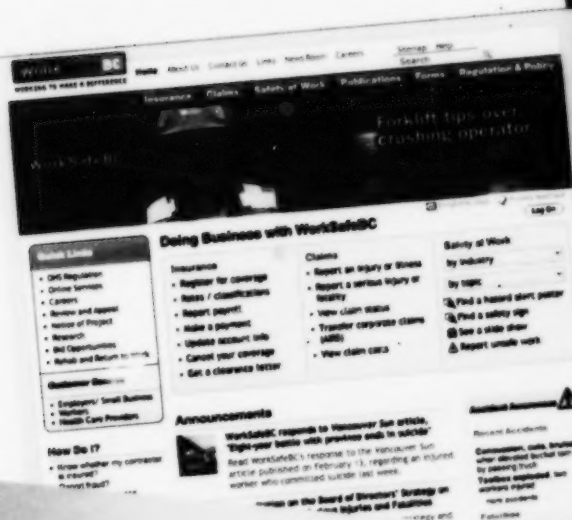
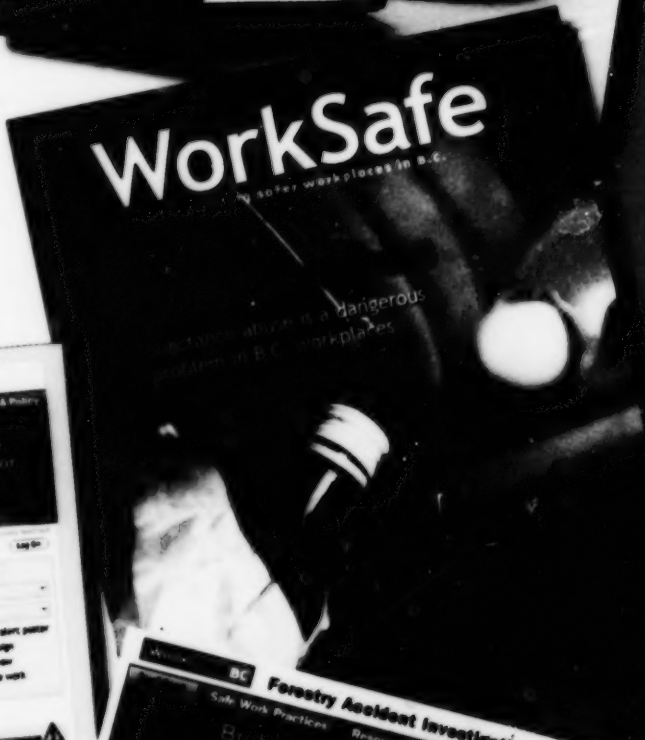
Working with external partners

WorkSafeBC has an important role to play in transforming societal attitudes toward workplace health and safety, but to realize positive change there needs to be participation from all workplace stakeholders. Therefore, whenever possible, WorkSafeBC partners with industry and labour associations, educators, community organizations, and others to increase awareness of workplace health and safety issues and further the development of a province-wide safety culture.

In 2005, WorkSafeBC participated in a number of joint communication and education initiatives, including TruckSafe — an ongoing strategy that brings together government, community, and industry partners to reduce and eventually eliminate commercial trucking accidents. Other examples include broad-based partnerships to promote electrical safety at work, and to educate employers, workers, and homeowners on

how to protect against asbestos exposure during home renovation or demolition.

WorkSafeBC is also dedicated to fostering an open dialogue on how to best increase public commitment to health and safety in the workplace. In 2005, WorkSafeBC's Board of Directors surveyed and met with stakeholders from across the province to gather feedback on the current and future state of B.C.'s workplace health and safety system. WorkSafeBC also co-hosted a national forum with the Association of Workers' Compensation Boards of Canada, which focused on ways to transform public attitudes toward workplace injury, illness, disease, and death.



Governance



WorkSafeBC Board of Directors

The composition of the WorkSafeBC Board of Directors, as laid out in legislation, ensures that public interest is given priority and that a balance of representation is provided from B.C.'s worker, employer, and health care/rehabilitation communities.

Douglas Enns.....Chair, public interest representative

Calvin Lee Vice-Chair, public interest representative*

Terry Brown Employer representative

Stephen Hunt.....Worker representative

Roslyn Kunin Public interest representative

Peter Morse Actuary

Arlene Ward.....Health care/rehabilitation professional

**Calvin Lee's appointment ended on January 2, 2006. A new public interest representative will be appointed later in the year.*

Duties

According to the *Workers Compensation Act*, the Board of Directors must:

- Set and revise as necessary the policies of the Board of Directors, including policies respecting compensation, assessment, rehabilitation, and occupational health and safety
- Set and supervise the direction of WorkSafeBC
- Select the president of WorkSafeBC and determine the president's functions
- Approve the operating and capital budgets of WorkSafeBC
- Establish policies and accounting systems to ensure adequate funding of the accident fund

- Approve major programs and expenditures of WorkSafeBC
- Approve the investment of funds of WorkSafeBC in accordance with the requirements imposed under the Act
- Plan for the future of WorkSafeBC
- Enact bylaws and pass resolutions for the conduct of WorkSafeBC's business and for the functions of the Board of Directors, including enacting bylaws respecting the manner in which the policies of the Board of Directors are to be published
- On or before March 31 of each year, provide the Minister of Labour and Citizens' Services with a service plan that addresses the three-year period starting on January 1 of that year, and does the following:
 - Sets out WorkSafeBC's priorities
 - Identifies specific objectives and performance measures for WorkSafeBC
 - Provides a fiscal forecast for WorkSafeBC, including a statement of all material assumptions and policy decisions underlying the forecast
 - Compares actual results of the previous year with the expected results identified in the previous year's service plan
 - Presents other information that WorkSafeBC considers appropriate

Activities

In 2005, the Board of Directors of WorkSafeBC undertook its Health and Safety Initiative to consider the current and possible future state of B.C.'s workplace health and safety system. This process involved focus group sessions that were held throughout British Columbia, a series of electronic surveys, and the Workplace Health and Safety Symposium. The Board will release a draft action plan, outlining short- and long-term action options, in 2006.

Committees

The Board of Directors met 12 times in 2005 and held one governance and planning session. The Board of Directors may establish committees and give direction to those committees. Current Board committees are as follows:

- Audit Committee — met seven times in 2005
- Human Resources and Compensation Committee — met five times in 2005
- Priorities and Governance Committee — met six times in 2005

Priorities

- Prevent injury and illness in the workplace
- Return workers to employability
- Serve employers, workers, and workers' dependants
- Develop partnerships to promote prevention and durable return to work
- Enhance decision making in prevention, compensation, and assessment
- Improve the cost-effectiveness of the services we deliver
- Maintain financial stability and sustainability
- Educate, engage, and communicate with our stakeholders

Standard of conduct

Section 84 of the *Workers Compensation Act* requires members of the Board of Directors to adhere to the following standard of conduct when exercising their powers and performing their functions and duties:

- Act honestly and in good faith
- Act with a view to the best interests and objectives of the workers' compensation system
- Exercise the care, diligence, and skill that a reasonably prudent individual would exercise in comparable circumstances
- Act in a financially responsible and accountable manner
- Read, acknowledge, and agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines upon appointment and each year as directors thereafter

Decisions

Each month, the Board of Directors makes policy and regulation decisions that affect the workers and employers of British Columbia. The Board's decisions can affect the premium rates employers pay or the level of benefits workers receive. As part of its commitment to remaining open and accountable to its stakeholders and the general public, WorkSafeBC posts the Board of Directors' decisions, along with the formal resolutions, online at www.worksafebc.com/regulation_and_policy/policy_decision/board_decisions/default.asp.

Accountability

The *2005 Annual Report and 2006-2008 Service Plan* was prepared under our direction in accordance with the *Workers Compensation Act*. We are accountable for the results achieved, for the selection of performance measures, and for how our performance has been reported. The information contained within reflects the actual performance of WorkSafeBC for the 12 months beginning January 1, 2005 and ending December 31, 2005. All material fiscal assumptions and policy decisions up to March 10, 2006 have been considered in the development of this publication.

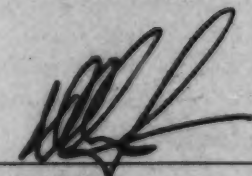
This annual report and service plan presents a comprehensive picture of our actual performance against targets set in the *2004 Annual Report and 2005-2007 Service Plan*, and includes estimates and significant interpretive information that represent the best judgment of WorkSafeBC management. The measures reported are consistent with the organization's mission, goals, and objectives and focus on aspects critical to understanding WorkSafeBC's performance.

We are responsible for ensuring that WorkSafeBC's performance information is measured accurately and in a timely manner. Any significant limitations in the reliability of the performance data have been identified and explained within.

This report and service plan has been prepared in accordance with the B.C. Reporting Principles and is intended for a general audience. More detailed information about WorkSafeBC is available on our web site at WorkSafeBC.com.



Douglas Enns, FCA
Chair
WorkSafeBC



David Anderson, MBA
President and Chief Executive Officer
WorkSafeBC



Report of the Auditor General of British Columbia

To the Board of Directors, the Workers' Compensation Board of British Columbia

To the Minister of Labour and Citizens' Services, Province of British Columbia

I have audited the *2005 Annual Report and 2006-2008 Service Plan* (the annual report) of the Workers' Compensation Board of British Columbia (WorkSafeBC) to assess whether performance has been fairly presented in accordance with the BC Reporting Principles for the year ended December 31, 2005. The eight BC Reporting Principles outline the characteristics of good performance reporting, and have been endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts for use by public sector organizations in British Columbia. This annual report is the responsibility of WorkSafeBC's management. My responsibility is to express an opinion on this annual report based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Accordingly, except as explained in the following paragraph, I planned and performed an audit to obtain reasonable assurance that the BC Reporting Principles have been incorporated in the annual report. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report and assessing significant estimates underlying reported performance.

I have audited the entire annual report to assess whether the information required by the BC Reporting Principles has been included, and whether this information fulfills the attributes of consistency, fairness, relevance, verifiability, understandability, and timeliness. However, with respect to the attribute of reliability, I have audited only the key performance indicators described and summarized in the Our Performance section, on pages 16 to 37, as well as the information contained in WorkSafeBC's financial statements, which are set out on pages 53 to 70 and for which my audit opinion is provided separately. Consequently, I do not express an opinion concerning the attribute of reliability of information beyond these pages.

Also, as called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by WorkSafeBC, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with the audited key performance indicators and financial statements.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I performed a more extensive audit of reliability as referred to in the third paragraph above, this annual report fairly presents, in all significant respects, the performance of WorkSafeBC for the year ended December 31, 2005, in accordance with the BC Reporting Principles. The following appendix contains details supporting my conclusion for each of the BC Reporting Principles, and is an integral part of my opinion.

Wayne Strelloff

Wayne Strelloff, FCA
Auditor General

Victoria, British Columbia
March 10, 2006



Report of the Auditor General of British Columbia

Appendix to the Report of the Auditor General of British Columbia on WorkSafeBC's 2005 Annual Report

Detailed observations

Principle 1

Explain the public purpose served

The report explains WorkSafeBC's public purpose, enabling legislation, and mission. Core business areas, services, clients, and stakeholders are described, as is the role of partners. The report explains WorkSafeBC's governance structure and external accountabilities. The report outlines WorkSafeBC's values that guide its service delivery (guiding principles and premises).

Principle 2

Link goals and results

The report explains the chain of events from mission to goals, objectives, and strategies through to performance measures. The relevance of these measures is explained in the context of WorkSafeBC's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

Principle 3

Focus on the few critical aspects of performance

The report states why goals, objectives, and 11 performance measures are important to WorkSafeBC and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

Principle 4

Relate results to risk and capacity

The report summarizes key risks and capacity issues in relation to each performance measure, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

Principle 5

Link resources, strategies, and results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items, and 10-year trend information is provided for revenues and expenses. Critical measures of efficiency are identified — administrative efficiency is the focus of one key performance indicator, and operational financial performance is the focus of another.

Principle 6

Provide comparative information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to relevant industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

Principle 7

Present credible information, fairly interpreted

We are providing a high level of assurance that the data supporting the 11 key performance indicators is reliable. Although we do not provide assurance on the effectiveness of the related control environment, systems to compile performance indicator data have been established and documented. We noted some opportunities to improve controls in the systems supporting these indicators, but this did not impact on reported results. The report is reasonably concise and specialized terminology has been avoided. The report has been issued in accordance with statutory reporting deadlines.

Principle 8

Disclose the basis for key reporting judgments

The report provides concise explanations for how performance indicators are derived and the period to which data relates. WorkSafeBC's Chair and the CEO have affirmed their ownership of the report, and their responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Fatalities



“Every time my pager goes off, I know someone has been seriously injured or killed.”

*— Tony Knopf, manager,
Fatal and Serious Injury
Investigations, WorkSafeBC*

Last year, there were 183 people — fathers, mothers, daughters, and sons — who died as a consequence of earning a living. Their lives were precious, their deaths were tragic beyond words.

The death toll in B.C. workplaces is reaching epic proportions, claiming more than three lives a week. In 2005, 90 workers died from traumatic injuries at work, 30 from motor vehicle accidents, and 62 from asbestos exposure and other occupational diseases — an increase of 40 per cent over 2004 and the highest number of lives lost since 1981. Of these workers, 11 were under the age of 24.

Fatalities occurred in a number of sectors last year, but they were highest in forestry, transportation, construction, oil and gas, and manufacturing.

While the statistics are disturbing, the real tragedy lies in knowing that these workers' deaths could have been prevented.

The responsibility for stopping the alarming trend of fatalities rests with all workplace partners: employers, workers, WorkSafeBC, and each member of society. Turning the tide will require a joint effort from all these parties to dispel the myth that work-related death, injury, illness, and disease are inevitable and acceptable costs of doing business.

WorkSafeBC will meet the challenge with compliance strategies tailored to high-risk sectors and young workers, additional enforcement officers, expanded partnerships with industry leaders, safety certification in high-risk workplaces, the creation of new safety councils, a province-wide public awareness campaign, and stiffer penalties for employers who endanger their workers.

Workplace deaths affect us all, so together we must heed this call to action.

Our Performance

Measuring Our Performance

WorkSafeBC's Board of Directors and Senior Executive Committee have established four key strategic goals to guide the organization as it moves toward improved service and operational efficiency. These goals, established in 2002, are explicitly linked to WorkSafeBC's mission, vision, values, and priorities, and provide the foundation for measuring organizational performance year over year:

1. Foster the improvement of occupational health and safety in workplaces
2. Improve service to stakeholders
 - a) Improve satisfaction, accessibility, and public confidence
 - b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation

3. Improve cost-effectiveness and accountability of the services we deliver

4. Maintain financial sustainability and stability

To measure its performance against each goal, WorkSafeBC uses a set of objectives and associated key performance indicators that allow the organization to track and benchmark its progress over time. These objectives and performance indicators guide planning and decision making at all levels of the organization and, through the annual reporting process, help WorkSafeBC remain open and accountable to the people of British Columbia.

Although there are a number of objectives and performance indicators used by WorkSafeBC, 11 have been chosen by the Board of Directors and Senior Executive Committee as being

most crucial to the fulfillment of WorkSafeBC's overall strategic goals (see page 19). In choosing which performance indicators to highlight, the Board of Directors and Senior Executive Committee considered a number of key factors:

- Relevance of the indicators in relation to WorkSafeBC's strategic goals
- Validity of the indicators (Do they measure what they are intended to measure?)
- Availability and reliability of data as an indicator of performance (Do these measures reflect performance against their associated goals?)
- Clarity, comprehensiveness, and transparency of the indicators
- Ability of the indicators to provide reliable comparisons over time

The 11 key performance indicators reflect WorkSafeBC's commitment to balanced scorecard reporting, which incorporates both financial and non-financial factors crucial to the fulfillment of WorkSafeBC's mandate, mission, and vision. By looking beyond purely financial measures of success, WorkSafeBC is able to build a more comprehensive picture of performance across a wide range of business areas, and use that information to help drive change and enhance business operations.

Each performance indicator (along with additional measures used at the corporate and divisional levels) is monitored and assessed throughout the year to track progress toward targeted goals. Most are updated on a monthly or quarterly basis, which allows WorkSafeBC to adjust to changes quickly and, when necessary, make corrective policy, program, or operational changes to get back on target.

Changes from the previous year

The 11 performance indicators selected for this year's annual report and service plan are a continuation of those used since 2003,¹ though in some cases there have been changes to the targets. In addition, some of the previous years' results published in last year's annual report and service plan were changed after publication due to the inclusion of new data and/or the refinement of calculation results. All such changes are noted and explained throughout the Performance Targets and Results section of this report (pages 20 through 37).

Setting annual targets

In setting annual targets for each key performance indicator, WorkSafeBC considers several factors, including historical performance, desired levels of service, operational requirements, and resources available for reaching short- and long-term goals. WorkSafeBC also considers environmental and external factors that may affect performance, and the potential to mitigate or control those factors through various programs and initiatives (see Appendix C, beginning on page 82).

Ensuring data reliability

WorkSafeBC stands behind the integrity and reliability of all key performance results included in its annual report and service plan, but recognizes that some measures can be further refined due to the complexity of the variables involved. In an ongoing effort to improve accuracy, WorkSafeBC recently underwent the third year of a voluntary annual audit by the Office of the Auditor General of B.C. This audit was aimed, in part, at validating the systems and processes used to collect performance data at WorkSafeBC, verifying the accuracy of the results, and identifying areas for improvement. For more information on the Office of the Auditor General's findings, refer to pages 12 and 13.

The quality, consistency, comparability, and completeness of the data contained in WorkSafeBC's annual report and service plan will be further improved over time through ongoing auditing and quality control initiatives. The Board of Directors and Senior Executive Committee will continue to evaluate the performance measures and refine them as needed to ensure that each is a meaningful indicator of progress toward WorkSafeBC's overall strategic goals.

Comparing results with other jurisdictions

In Canada, all workers' compensation organizations collect data to help measure performance and administer their systems. However, due to differing legal requirements, policies, goals, governing structures, and operating procedures, there is little standardization or consistency in the data collected and reported from one jurisdiction to the next. To help overcome this challenge, the Association of Workers' Compensation Boards of Canada has developed a series of standardized measures. For more information on these measures, refer to Appendix B, beginning on page 78.

¹ The 11 key performance indicators contained in this report have been used as a group since 2003, but most have existed for much longer and can be found in WorkSafeBC annual reports going back nine years or more.

Origins of 2005 Performance Indicators

Priorities	- Prevent injury and illness in the workplace - Return workers to employability - Serve employers, workers, and workers' dependants - Develop partnerships in prevention and durable return to work - Enhance decision making in prevention, compensation, and assessments - Improve the cost-effectiveness of the services we deliver - Maintain financial stability and sustainability - Educate, engage, and communicate with our stakeholders				
Goals	Goal 1: Foster the improvement of occupational health and safety in workplaces	Goal 2a: Improve satisfaction, accessibility, and public confidence	Goal 2b: Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation and policy	Goal 3: Improve cost-effectiveness and accountability of the services we deliver	Goal 4: Maintain financial sustainability and stability
Objectives	Reduce the provincial injury rate	- Reduce the average short-term claim duration - Improve return-to-work outcomes for workers in vocational rehabilitation - Improve timeliness of initial short-term disability payments - Improve injured workers' rating of overall service - Improve employers' rating of overall service - Raise public confidence	Improve decision making throughout WorkSafeBC, ensuring consistency with the legislation and policy	Control administration costs	- Achieve an accident fund ratio, including reserves, in the range of 100 to 130 percent - Attain an aggregate premium rate between \$1.25 and \$2.25 per \$100 of assessable payroll
Indicators	Injury rate (accepted short-term disability claims per 100 person-years of employment) pg. 20	- The average number of days lost from work and subsequent wage-loss benefits paid by WorkSafeBC per short-term disability claim pg. 22 - Successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year pg. 23 - The number of days it takes WorkSafeBC to get first wage-loss payments to short-term disability claimants from the date of their disablement pg. 25 - Survey results: injured workers' rating of service pg. 26 - Survey results: employers' rating of service pg. 27 - Ipsos Reid public contribution index pg. 29	The proportion of issues leading to decision changes as a result of legal and/or policy errors (Review Division and WCAT levels) pg. 35	Annual administration costs per \$100 of assessable payroll collected from employers pg. 33	- The value of the accident fund against liabilities pg. 30 - Aggregate premium rate pg. 31

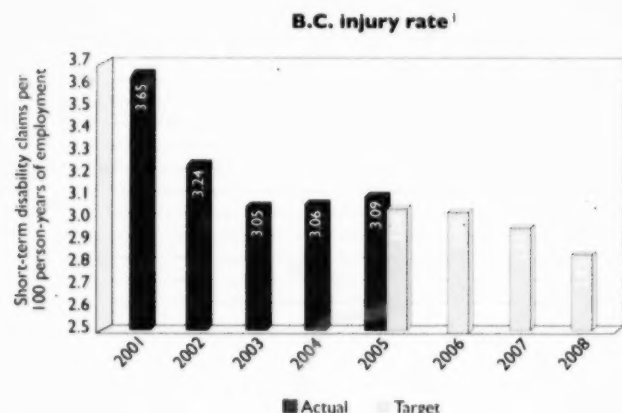
Performance Targets and Results at a Glance

Key objective / performance indicator	2005 target	2005 result	2006 target	2007 target	2008 target
1. Reduce the provincial injury rate (the number of short-term disability claims accepted by WorkSafeBC per 100 person-years of employment)	3.04	3.09	3.02	2.95 or less	2.83 or less
2. Reduce the average short-term claim duration	47.7 days	47.3 days	46.8 days	46.3 days	46.0 days
3. Improve return-to-work outcomes for workers in vocational rehabilitation	69.0%	70.4%	70.0%	70.0%	71.0%
4. Improve timeliness of initial short-term disability payments	17.5 days	17.7 days	17.5 days	17.5 days	17.0 days
5. Improve injured workers' rating of overall service (10-point scale)	8.0	7.8	8.0	8.1	8.2
6. Improve employers' rating of overall service (10-point scale)	8.2	8.3	8.3	8.4	8.4
7. Raise public confidence	77% positive	77% positive	79% positive	80% positive	81% positive
8. Achieve an accident fund ratio (smoothed basis), including reserves, in the range of 100 to 130 percent	105%	109%	115%	117%	119%
9. Attain an aggregate premium rate between \$1.25 and \$2.25 (per \$100 of assessable payroll)	\$1.87 (\$1.97 before surplus and transition)	\$1.99 (\$2.07 before surplus and transition)	\$1.92	\$1.82	\$1.71
10. Control administration costs (per \$100 of assessable payroll)	\$0.36	\$0.36	\$0.37	\$0.37	\$0.35
11. Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy (proportion of issues leading to overturned decisions at the review and/or appeal level due to WorkSafeBC error in law or policy)	Review level: 4.5% or less	Review level: 2.4%	Review level: 2.4% or less	Review level: 2.4% or less	Review level: 2.4% or less
	Appeal level: Less than 2.5%	Appeal level: 2.5%	Appeal level: 2.5% or less	Appeal level: 2.5% or less	Appeal level: 2.5% or less

Performance Targets and Results

Key objective/performance indicator #1:

Reduce the provincial injury rate



Importance

Preventing work-related injury, illness, disease, and death is WorkSafeBC's number one priority. Success is primarily indicated by the provincial injury rate, which is measured by the number of short-term disability claims initially accepted by WorkSafeBC per 100 person-years of employment. The lower the rate, the lower the economic costs and the fewer the people who suffer due to work-related causes. A reduction in the injury rate of 1 percent (3.09 to 3.06, for example) translates to approximately 600 fewer workers who suffer a wage-loss injury, \$9 million less in claim costs paid, and approximately 28,000 productive work days gained to the economy.

Setting targets

With help from workers, employers, and other key stakeholders, WorkSafeBC is committed to eliminating all injury, illness, disease, and death from B.C. workplaces. Although this will be difficult to achieve, progress toward that goal is indicated by incremental changes in the injury rate over time. WorkSafeBC's targets in this area reflect the expected results if current strategies and predicted economic changes continue as anticipated.

Performance highlights

The injury rate rose 1.0 percent in 2005 to 3.09 short-term disability claims per 100 person-years of employment.² This was slightly higher than WorkSafeBC's initial target of 3.04, and 0.03 points higher than the 2004 rate of 3.06, but still about 30 percent lower than just 10 years ago.³

There were two primary reasons for the slight increase in the injury rate. First, the injury rate in the manufacturing sector is estimated to have increased at a faster rate than the injury rate for all other sectors combined. Second, there was a change in industry mix that involved a higher rate of employment growth in the construction sector compared with all other sectors combined. Given that construction has an injury rate more than two times higher than the injury rate in all other sectors combined, the strong growth in construction employment put slight upward pressure on the overall provincial injury rate.⁴

Although the injury rate increased slightly, a significant fraction of the increase can be attributed to low-severity injuries (claims between one and three days in duration). In fact, between 2004 and 2005, the volume of low-duration claims increased approximately two times faster than the volume of other short-term disability claims. Had this proportional increase not occurred, the provincial injury rate would have remained practically unchanged between 2004 and 2005.

Major programs and strategies

In response to increased economic activity, particularly in several high-risk sectors, WorkSafeBC hired 12 new prevention officers in 2005—most of whom were assigned to the construction sector. This contributed to an increase in the overall level of inspection and enforcement activity (though slightly lower than planned due to a higher-than-anticipated rate of turnover among existing prevention officers).⁵

WorkSafeBC also continued to strengthen and refine its industry-aligned service strategy, which involved assigning specialized teams of employees to specific industry sectors. Over time, this new team structure will enable prevention officers and other staff to develop specialized knowledge and expertise

1 The 2001, 2003, and 2004 injury rate results are different from the numbers published in the 2004 Annual Report and 2005-2007 Service Plan due to updated data made available after the publication date. The injury rate target for 2005, which is relative to the 2004 injury rate, was lowered to 3.02 partway through 2005 to reflect this change.

2 To estimate the 2005 injury rate early in 2006, WorkSafeBC assumes that the increase in all B.C. employment in 2005, as reported by Statistics Canada, is a reasonable proxy for the increase in WorkSafeBC-covered employment. WorkSafeBC also assumes that the number of injuries that occurred in 2005 and will be accepted in March 2006, as a percentage of the number of injuries that occurred in 2005 and were accepted in 2005 or in January or February 2006, is the same as the average of the corresponding percentages for injuries that occurred in 2003 and 2004 respectively. In the past, the overall injury rate estimate has been accurate to one decimal.

3 When adjusted for comparison on an approximate basis, the injury rate has actually been declining since 1980 when it was 7.6 (approximate basis). Shifts in industry mix have accounted for some of this decline; but in real terms, the rate has still fallen by about half since 1980.

4 Changes to the injury rates at the industry sector level in 2005 are estimated based on best available data as of February 2006 and are subject to change. The injury rate for the manufacturing sector is estimated to have increased slightly less than 5 percent in 2005 (from an injury rate of 5.1 in 2004), compared with an estimated increase of less than 1 percent for all other sectors combined. Employment growth in 2005 for the construction industry is estimated at 7.5 percent based on the Statistics Canada Survey of Employment, Payroll and Hours, and 16.7 percent based on the Statistics Canada Labour Force Survey. Based on the results of these two surveys, estimated employment growth in 2005 for all other industries combined was 2.2 percent and 2.3 percent respectively.

5 At the end of 2005, WorkSafeBC employed 178 full-time-equivalent prevention officers, compared with 171 at the end of 2004.

Performance Targets and Results

Key objective/performance indicator #1: Reduce the provincial injury rate



Importance

Preventing work-related injury, illness, disease, and death is WorkSafeBC's number one priority. Success is primarily indicated by the provincial injury rate, which is measured by the number of short-term disability claims initially accepted by WorkSafeBC per 100 person-years of employment. The lower the rate, the lower the economic costs and the fewer the people who suffer due to work-related causes. A reduction in the injury rate of 1 percent (3.09 to 3.06, for example) translates to approximately 600 fewer workers who suffer a wage-loss injury, \$9 million less in claim costs paid, and approximately 28,000 productive work days gained to the economy.

Setting targets

With help from workers, employers, and other key stakeholders, WorkSafeBC is committed to eliminating all injury, illness, disease, and death from B.C. workplaces. Although this will be difficult to achieve, progress toward that goal is indicated by incremental changes in the injury rate over time. WorkSafeBC's targets in this area reflect the expected results if current strategies and predicted economic changes continue as anticipated.

Performance highlights

The injury rate rose 1.0 percent in 2005 to 3.09 short-term disability claims per 100 person-years of employment.² This was slightly higher than WorkSafeBC's initial target of 3.04, and 0.03 points higher than the 2004 rate of 3.06, but still about 30 percent lower than just 10 years ago.³

There were two primary reasons for the slight increase in the injury rate. First, the injury rate in the manufacturing sector is estimated to have increased at a faster rate than the injury rate for all other sectors combined. Second, there was a change in industry mix that involved a higher rate of employment growth in the construction sector compared with all other sectors combined. Given that construction has an injury rate more than two times higher than the injury rate in all other sectors combined, the strong growth in construction employment put slight upward pressure on the overall provincial injury rate.⁴

Although the injury rate increased slightly, a significant fraction of the increase can be attributed to low-severity injuries (claims between one and three days in duration). In fact, between 2004 and 2005, the volume of low-duration claims increased approximately two times faster than the volume of other short-term disability claims. Had this proportional increase not occurred, the provincial injury rate would have remained practically unchanged between 2004 and 2005.

Major programs and strategies

In response to increased economic activity, particularly in several high-risk sectors, WorkSafeBC hired 12 new prevention officers in 2005 — most of whom were assigned to the construction sector. This contributed to an increase in the overall level of inspection and enforcement activity (though slightly lower than planned due to a higher-than-anticipated rate of turnover among existing prevention officers).⁵

WorkSafeBC also continued to strengthen and refine its industry-aligned service strategy, which involved assigning specialized teams of employees to specific industry sectors. Over time, this new team structure will enable prevention officers and other staff to develop specialized knowledge and expertise

1 The 2001, 2003, and 2004 injury rate results are different from the numbers published in the 2004 Annual Report and 2005-2007 Service Plan due to updated data made available after the publication date. The injury rate target for 2005, which is relative to the 2004 injury rate, was lowered to 3.02 partway through 2005 to reflect this change.

2 To estimate the 2005 injury rate early in 2006, WorkSafeBC assumes that the increase in all B.C. employment in 2005, as reported by Statistics Canada, is a reasonable proxy for the increase in WorkSafeBC-covered employment. WorkSafeBC also assumes that the number of injuries that occurred in 2005 and will be accepted in March 2006, as a percentage of the number of injuries that occurred in 2005 and were accepted in 2005 or in January or February 2006, is the same as the average of the corresponding percentages for injuries that occurred in 2003 and 2004 respectively. In the past, the overall injury rate estimate has been accurate to one decimal.

3 When adjusted for comparison on an approximate basis, the injury rate has actually been declining since 1980 when it was 7.6 (approximate basis). Shifts in industry mix have accounted for some of this decline; but in real terms, the rate has still fallen by about half since 1980.

4 Changes to the injury rates at the industry sector level in 2005 are estimated based on best available data as of February 2006 and are subject to change. The injury rate for the manufacturing sector is estimated to have increased slightly less than 5 percent in 2005 (from an injury rate of 5.1 in 2004), compared with an estimated increase of less than 1 percent for all other sectors combined. Employment growth in 2005 for the construction industry is estimated at 7.5 percent based on the Statistics Canada Survey of Employment, Payroll and Hours, and 16.7 percent based on the Statistics Canada Labour Force Survey. Based on the results of these two surveys, estimated employment growth in 2005 for all other industries combined was 2.2 percent and 2.3 percent respectively.

5 At the end of 2005, WorkSafeBC employed 178 full-time-equivalent prevention officers, compared with 171 at the end of 2004.

related to the industries and worksites they serve. A new service strategy was implemented in 2005 and WorkSafeBC expects to begin seeing results in the years ahead, through more effective prevention and enforcement initiatives and improved service.

Other prevention programs and initiatives undertaken by WorkSafeBC in 2005 include:

Partnering with focus firms — Through its Focus Firm Strategy, WorkSafeBC identifies firms that are experiencing exceptionally high injury rates and/or a significant volume of claims, and partners with those firms to develop and implement action plans for injury and illness reduction.

Working with small business — WorkSafeBC works with external partners to develop materials, tools, and services designed to address the unique health and safety needs of the small business sector.

Reaching out to young workers — WorkSafeBC conducts a diverse range of prevention initiatives targeted to young workers, involving employers, labour groups, parents, educators, and young workers themselves. In response to a high number of serious injuries and fatalities among young workers in 2005, and continued economic growth that is attracting young workers to jobs in high-risk industries, WorkSafeBC is currently revamping its young workers strategy and is planning a number of new initiatives for 2006.

Building industry partnerships — WorkSafeBC cannot change safety culture in the workplace by itself, so the organization is committed to forging strategic partnerships within key industries and labour groups to help them strengthen their commitment and capacity to address occupational health and safety issues. To date, WorkSafeBC has helped establish nine safety associations in areas such as forestry, construction, and agriculture, and has launched several large industry-sponsored safety initiatives that have the potential to develop into full-fledged safety associations in the future.

Targeting serious injuries — In response to a continued high rate of death and serious injury in the workplace, WorkSafeBC has increased its consultation, education, investigation, and enforcement activities in the industry sectors/subsectors with the highest rates of serious injury and death. WorkSafeBC is also continuing its Lessons Learned project, which is a coordinated communication and education strategy aimed at sharing the causes of serious injury incidents and work-related fatalities with workers, employers, and the public to prevent a repeat of similar incidents.

Recognizing safety partners — WorkSafeBC's Partners in Injury and Disability Prevention Program offers financial rewards to firms that complete certified safety management training and/or successfully undergo audits of their occupational health and safety programs. Pilot programs are currently up and running in the construction and oil and gas industries. WorkSafeBC expects to open the program up to all industries in 2006.

Health and safety initiative — In 2005, WorkSafeBC's Board of Directors surveyed and met with stakeholders from across the province to gather feedback on the current and future state of B.C.'s workplace health and safety system. Based on the input received, WorkSafeBC is developing an action plan for adjusting the system to enable WorkSafeBC and its partners to reduce work-related injury, illness, disease, and death, and proactively address emerging workplace issues in the years ahead.

Looking ahead

Over the next year, WorkSafeBC's goal is to lower the injury rate to 3.02 or less, and by 2008, WorkSafeBC is aiming to reach a target of 2.83 or less. But this change will not come easily. B.C.'s economy is growing and changing at a fantastic pace — new industries and jobs are emerging, the workforce composition is changing, new health and safety issues are coming to the forefront, and non-traditional employer/worker relationships are evolving. WorkSafeBC is undertaking a number of new initiatives to address changing workplace health and safety needs. But it will take the continued efforts of workers, employers, unions, business and labour groups, and others, all working together, to make B.C. workplaces safer and healthier.

In 2006, WorkSafeBC will roll out a new strategy that will see prevention resources realigned to target six of the highest-risk industry sectors.¹ The focus will be on developing and implementing customized prevention strategies tailored to meet the unique characteristics of each high-risk sector. As part of this initiative, WorkSafeBC will also look to leverage its partnerships with key business and labour stakeholders in order to increase ownership and capacity for injury and illness reduction within each targeted sector.

To complement these changes, WorkSafeBC is increasing its presence in B.C. workplaces by hiring additional prevention staff and improving internal processes so that officers can devote more time to inspection, consultation, and enforcement. Policy amendments are being considered that would provide for

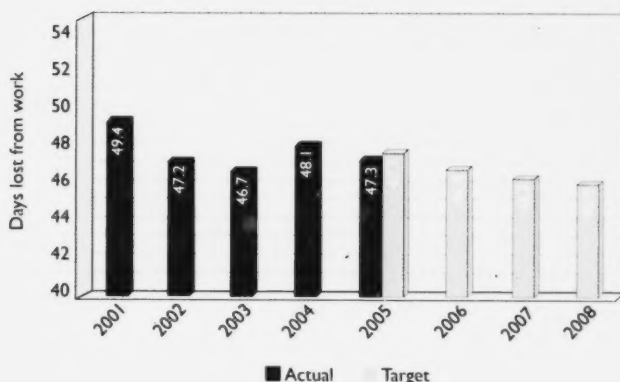
¹ The six targeted sectors/subsectors are primary resources (forestry and fishing), oil and gas (part of the primary resources sector), manufacturing (heavy manufacturing, wood products manufacturing), construction, transportation and warehousing, and health care (part of the service sector).

more substantial incentives and penalties to reduce the injury rate and encourage improved occupational health and safety among B.C. workers and employers.

WorkSafeBC will continue to undertake new prevention education and awareness initiatives, including a comprehensive, multi-year social marketing strategy planned for launch in 2006. The program will incorporate multiple channels of communication—including speeches, direct mail, television advertising, and more—that will, over time, help transform the attitudes, beliefs, and behaviours directly related to improved health and safety on the job. The underlying goal is to create a culture of safety and make occupational health and safety a primary concern for all British Columbians.

Key objective/performance indicator #2: Reduce the average short-term claim duration

Average short-term claim duration¹



Importance

The average short-term claim duration is the average number of days lost from work, as measured by wage-loss benefits paid by WorkSafeBC per short-term disability claim.² The longer it takes to resolve the claim, the higher the costs to the system and the less likely it is that the worker will ever return to work. To address these issues, WorkSafeBC works with injured workers, employers, health care providers, and other key stakeholders to minimize the average duration and ensure that claims are resolved in a safe and timely manner.

Setting targets

Short-term claim duration is influenced by many factors, including the severity of injury, age at time of injury, timeliness of treatment and adjudication, and availability of return-to-work opportunities, to name a few. Defining optimal aggregate duration depends on the general mix of claims accepted by WorkSafeBC—in terms of injury types, average age of injured workers, volume of claims from specific industry sectors, etcetera. The targets established in this area are based on a similar mix of claims over time and reflect the anticipated impact of changes in WorkSafeBC's systems, resources, and practices for expediting care and improving the efficiency of claim adjudication.

Performance highlights

In 2005, the average short-term claim duration was 47.3 days, which was down 1.7 percent from 48.1 days in 2004. This was better than WorkSafeBC's target of 47.7 days for the year.

Major programs and strategies

WorkSafeBC's primary strategy for reducing short-term claim duration is to provide timely and appropriate rehabilitation and return-to-work planning as early as possible in the claim process. The underlying goal is to help injured workers return to work as soon as it is safely possible and to protect their health and well-being throughout the entire claim process. In 2005, WorkSafeBC continued to involve rehabilitation specialists earlier in the claim process, which, in part, is believed to have contributed to the lower duration result.

Claims that are expected to last more than four or six weeks, depending on circumstances, and/or where it may be difficult for the worker to return to work, are assigned to specialized case management teams. These teams work with injured workers, their families, health care providers, and other partners to design and facilitate a customized early treatment and return-to-work plan. In 2005, WorkSafeBC introduced new case management guidelines that incorporate new service strategies and set new standards for the management of injured workers' claims.

To aid in the recovery and return-to-work process, WorkSafeBC works closely with accredited external health care providers to diagnose and treat injured workers, share information, plan for successful rehabilitation, and establish generally agreed upon recovery timelines. When necessary, WorkSafeBC also arranges expedited medical services for workers who would otherwise be subjected to lengthy waits in the provincial health care system.

¹ The short-term duration results for 2002 and 2003 are different from those published in the 2004 Annual Report and 2005-2007 Service Plan due to updated data available after the publication date.

² To compute short-term disability (STD) duration for a given year, five components are calculated and added together, including 1) the number of days paid in the reference year for STD injuries that occurred in the reference year, divided by the number of STD injuries that occurred in the reference year, and 2) the number of days paid in the reference year for STD injuries that occurred in the year prior to the reference year, divided by the number of STD injuries that occurred in the year prior to the reference year. The third, fourth, and fifth components are computed analogously. An adjustment is made to the sum of the five components in respect to days paid in the reference year for injuries that occurred more than four years prior to the reference year. Days arising from short-term disability payments are included in the calculation; days arising from rehabilitation payments are excluded.

In response to increasing claim volumes, WorkSafe-BC hired additional compensation and rehabilitation staff in 2005. This, combined with ongoing training and service initiatives, helped improve the overall efficiency of claim processing and led to improved adjudication times during the year. WorkSafe-BC also collaborated with workers, employers, and industry associations to support the establishment of effective disability management programs. Through initiatives such as account management (see page 23) and the Partners in Injury and Disability Prevention program (see page 21), WorkSafe-BC is reaching out to stakeholders in new ways to improve return-to-work outcomes and resolve claims in a safe and timely manner.

During the year, WorkSafe-BC continued to enhance its new service strategy by allocating additional resources to specialized teams of employees aligned with specific industry sectors. Over time, these teams will become increasingly knowledgeable about the industries they serve. Team expertise should grow across all service areas, including claim processing, injury compensation, disability management, and return to work, which should have a positive impact on overall claim duration.

Looking ahead

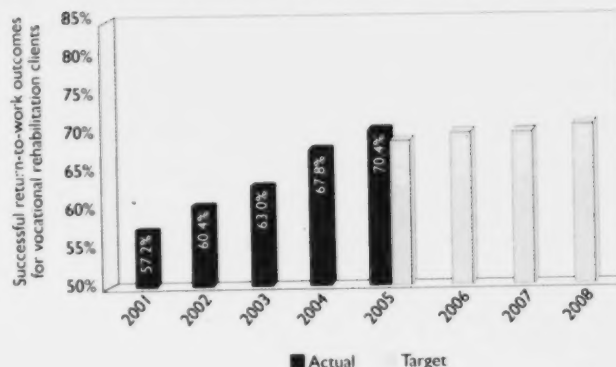
Building on the momentum gained in 2005, WorkSafe-BC is aiming to reduce the average short-term claim duration to 16.3 days in 2006, and reach 16 days or less by 2008. The targets are aggressive and may be difficult to reach if the volume of claims continues to rise and/or there is a change in the mix of claims. A relatively large increase in claims from the construction sector, for example, could affect duration because construction workers typically experience more severe injuries and higher duration claims. To address this risk, WorkSafe-BC will be stepping up its prevention activities to reduce the overall number of work-related injuries and illnesses in construction and other high-risk sectors (see page 21).

In 2006, WorkSafe-BC will introduce an early intervention model that will allow WorkSafe-BC advisers to get involved in the claim process earlier than ever before. Under the new model, nurse advisers will develop return-to-work plans for injured workers while entitlement officers are adjudicating their claims. In the past, these tasks were performed sequentially. Over time, the new approach is expected to improve return-to-work outcomes and reduce average short-term claim duration.

To address rising claim volume, WorkSafe-BC will hire additional compensation and rehabilitation staff in 2006, and is planning a number of initiatives to improve the overall efficiency of adjudication and claim processing. WorkSafe-BC will also look to strengthen its partnerships with individual employers and industry associations to build increased capacity for successful return to work.

Key objective/performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation

Successful return-to-work outcomes



Importance

Research and practical experience show that the longer an injured worker is away from work, the less likely it is that he or she will ever return to employment. That is why WorkSafe-BC works to rehabilitate injured workers and help them return to work as soon as they safely can. It is better for the worker, better for the employer, and more cost-effective for the entire workers' compensation system.

Most injured workers are able to return to work following recovery, but some with more complex and severe injuries are unable to return without assistance. These cases are typically referred to WorkSafe-BC's Vocational Rehabilitation Services, which can provide counselling, vocational assessment, planning, and knowledge and skill development to facilitate workers' safe, timely, and durable return to work. To measure the effectiveness of its return-to-work efforts, WorkSafe-BC tracks the number of successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (this excludes cases that are referred to Vocational Rehabilitation Services for reasons other than return to work). A return-to-work outcome is considered successful if the injured worker is employed at the time his or her case is concluded by a vocational rehabilitation consultant.

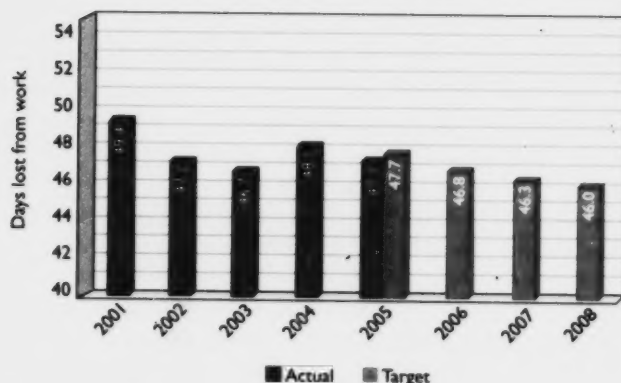
WorkSafe-BC is currently working with the Association of Workers' Compensation Boards of Canada to establish a more comprehensive measure of return to work that would be comparable between Canadian jurisdictions. Until then, WorkSafe-BC will continue to use this measure as the key indicator of return-to-work success.

more substantial incentives and penalties to reduce the injury rate and encourage improved occupational health and safety among B.C. workers and employers.

WorkSafeBC will continue to undertake new prevention education and awareness initiatives, including a comprehensive, multi-year social marketing strategy planned for launch in 2006. The program will incorporate multiple channels of communication — including speeches, direct mail, television advertising, and more — that will, over time, help transform the attitudes, beliefs, and behaviours directly related to improved health and safety on the job. The underlying goal is to create a culture of safety and make occupational health and safety a primary concern for all British Columbians.

Key objective/performance indicator #2: Reduce the average short-term claim duration

Average short-term claim duration¹



Importance

The average short-term claim duration is the average number of days lost from work, as measured by wage-loss benefits paid by WorkSafeBC per short-term disability claim.² The longer it takes to resolve the claim, the higher the costs to the system and the less likely it is that the worker will ever return to work. To address these issues, WorkSafeBC works with injured workers, employers, health care providers, and other key stakeholders to minimize the average duration and ensure that claims are resolved in a safe and timely manner.

Setting targets

Short-term claim duration is influenced by many factors, including the severity of injury, age at time of injury, timeliness of treatment and adjudication, and availability of return-to-work opportunities, to name a few. Defining optimal aggregate duration depends on the general mix of claims accepted by WorkSafeBC (in terms of injury types, average age of injured workers, volume of claims from specific industry sectors, etcetera). The targets established in this area are based on a similar mix of claims over time and reflect the anticipated impact of changes in WorkSafeBC's systems, resources, and practices for expediting care and improving the efficiency of claim adjudication.

Performance highlights

In 2005, the average short-term claim duration was 47.3 days, which was down 1.7 percent from 48.1 days in 2004. This was better than WorkSafeBC's target of 47.7 days for the year.

Major programs and strategies

WorkSafeBC's primary strategy for reducing short-term claim duration is to provide timely and appropriate rehabilitation and return-to-work planning as early as possible in the claim process. The underlying goal is to help injured workers return to work as soon as it is safely possible and to protect their health and well-being throughout the entire claim process. In 2005, WorkSafeBC continued to involve rehabilitation specialists earlier in the claim process, which, in part, is believed to have contributed to the lower duration result.

Claims that are expected to last more than four or six weeks, depending on circumstances, and/or where it may be difficult for the worker to return to work, are assigned to specialized case management teams. These teams work with injured workers, their families, health care providers, and other partners to design and facilitate a customized early treatment and return-to-work plan. In 2005, WorkSafeBC introduced new case management guidelines that incorporate new service strategies and set new standards for the management of injured workers' claims.

To aid in the recovery and return-to-work process, WorkSafeBC works closely with accredited external health care providers to diagnose and treat injured workers, share information, plan for successful rehabilitation, and establish generally agreed upon recovery timelines. When necessary, WorkSafeBC also arranges expedited medical services for workers who would otherwise be subjected to lengthy waits in the provincial health care system.

1 The short-term duration results for 2002 and 2003 are different from those published in the 2004 Annual Report and 2005-2007 Service Plan due to updated data available after the publication date.

2 To compute short-term disability (STD) duration for a given year, five components are calculated and added together, including 1) the number of days paid in the reference year for STD injuries that occurred in the reference year, divided by the number of STD injuries that occurred in the reference year, and 2) the number of days paid in the reference year for STD injuries that occurred in the year prior to the reference year, divided by the number of STD injuries that occurred in the year prior to the reference year. The third, fourth, and fifth components are computed analogously. An adjustment is made to the sum of the five components in respect to days paid in the reference year for injuries that occurred more than four years prior to the reference year. Days arising from short-term disability payments are included in the calculation; days arising from rehabilitation payments are excluded.

In response to increasing claim volumes, WorkSafeBC hired additional compensation and rehabilitation staff in 2005. This, combined with ongoing training and service initiatives, helped improve the overall efficiency of claim processing and led to improved adjudication times during the year. WorkSafeBC also collaborated with workers, employers, and industry associations to support the establishment of effective disability management programs. Through initiatives such as account management (see page 28) and the Partners in Injury and Disability Prevention program (see page 21), WorkSafeBC is reaching out to stakeholders in new ways to improve return-to-work outcomes and resolve claims in a safe and timely manner.

During the year, WorkSafeBC continued to enhance its new service strategy by allocating additional resources to specialized teams of employees aligned with specific industry sectors. Over time, these teams will become increasingly knowledgeable about the industries they serve. Team expertise should grow across all service areas, including claim processing, injury compensation, disability management, and return to work, which should have a positive impact on overall claim duration.

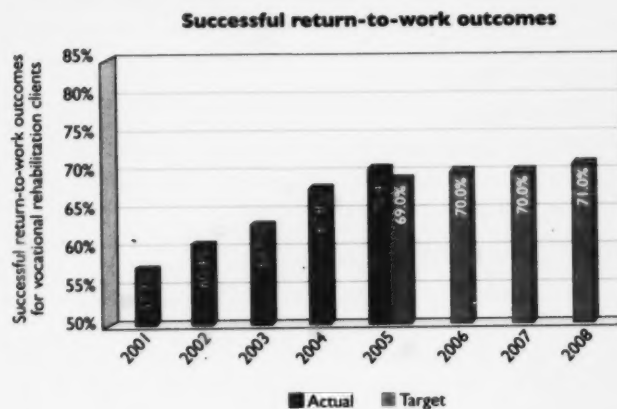
Looking ahead

Building on the momentum gained in 2005, WorkSafeBC is aiming to reduce the average short-term claim duration to 46.8 days in 2006, and reach 46 days or less by 2008. The targets are aggressive and may be difficult to reach if the volume of claims continues to rise and/or there is a change in the mix of claims. A relatively large increase in claims from the construction sector, for example, could affect duration because construction workers typically experience more severe injuries and higher duration claims. To address this risk, WorkSafeBC will be stepping up its prevention activities to reduce the overall number of work-related injuries and illnesses in construction and other high-risk sectors (see page 21).

In 2006, WorkSafeBC will introduce an early intervention model that will allow WorkSafeBC advisers to get involved in the claim process earlier than ever before. Under the new model, nurse advisers will develop return-to-work plans for injured workers while entitlement officers are adjudicating their claims. In the past, these tasks were performed sequentially. Over time, the new approach is expected to improve return-to-work outcomes and reduce average short-term claim duration.

To address rising claim volume, WorkSafeBC will hire additional compensation and rehabilitation staff in 2006, and is planning a number of initiatives to improve the overall efficiency of adjudication and claim processing. WorkSafeBC will also look to strengthen its partnerships with individual employers and industry associations to build increased capacity for successful return to work.

Key objective/performance indicator #3: Improve return-to-work outcomes for workers in vocational rehabilitation



Importance

Research and practical experience show that the longer an injured worker is away from work, the less likely it is that he or she will ever return to employment. That is why WorkSafeBC works to rehabilitate injured workers and help them return to work as soon as they safely can. It is better for the worker, better for the employer, and more cost-effective for the entire workers' compensation system.

Most injured workers are able to return to work following recovery, but some with more complex and severe injuries are unable to return without assistance. These cases are typically referred to WorkSafeBC's Vocational Rehabilitation Services, which can provide counselling, vocational assessment, planning, and knowledge and skill development to facilitate workers' safe, timely, and durable return to work. To measure the effectiveness of its return-to-work efforts, WorkSafeBC tracks the number of successful return-to-work outcomes as a percentage of all return-to-work referrals concluded by Vocational Rehabilitation Services each year (this excludes cases that are referred to Vocational Rehabilitation Services for reasons other than return to work). A return-to-work outcome is considered successful if the injured worker is employed at the time his or her case is concluded by a vocational rehabilitation consultant.

WorkSafeBC is currently working with the Association of Workers' Compensation Boards of Canada to establish a more comprehensive measure of return to work that would be comparable between Canadian jurisdictions. Until then, WorkSafeBC will continue to use this measure as the key indicator of return-to-work success.

Setting targets

WorkSafeBC strives to return all injured workers to lasting employment. But, since some workers referred to the vocational rehabilitation program have extremely complex injuries with a very low probability of successful return to work, it is unlikely that this measure will ever reach 100 percent. Some studies suggest that a success rate between two-thirds and three-quarters of all referrals is achievable. WorkSafeBC's current targets reflect management's best estimates of the expected outcomes of current programs and strategies (assuming a relatively similar mix of claim referrals).

Performance highlights

In 2005, WorkSafeBC was above target with 70.4 percent (1,888 of the 2,683) of the return-to-work referrals concluded by Vocational Rehabilitation Services resulting in the injured worker successfully returning to work, compared with 67.8 percent (2,019 out of 2,977) in 2004.¹

Of the remaining 795 return-to-work cases concluded during the year, 386 workers decided not to look for work (retired, stopped looking, were unable due to personal issues, etc.), while 409 were still looking for employment when their assistance from Vocational Rehabilitation Services ended.

Major programs and strategies

To get injured workers back to safe and productive employment, WorkSafeBC works closely with injured workers, their doctors, employers, unions, and others to create return-to-work programs customized to meet workers' unique needs. Programs and services may include vocational counselling, return-to-work planning, worker/employer mediation, work assessment, work site/job modification, job search and placement assistance, and help with training and education.

Whenever possible, WorkSafeBC strives to return injured workers to work with their original employers — either in the same job, a modified version of the same job, or in a similar new role. If this is not possible, WorkSafeBC's Employment Development and Placement (EDAP) program offers other employment options. EDAP helps WorkSafeBC vocational rehabilitation consultants and their clients identify new job opportunities, and offers employers incentives to help offset the costs of hiring and training return-to-work employees. These incentives can include a brief and fully funded work assessment, a cost-shared on-the-job training program, worksite modifications, and/or tuition costs for job-related courses.

In 2005, WorkSafeBC focused on improving internal processes, reducing backlogs, and streamlining the administrative workload in order to free up vocational rehabilitation consultants to spend more time with their clients. Additionally, WorkSafeBC hired 18 full-time and three part-time nurse advisers² and continued to get vocational rehabilitation staff involved earlier in the claim process. Management believes these changes contributed to the improved return-to-work rate in 2005.

During the year, WorkSafeBC also completed the second stage of a three-year pilot project with the pulp and paper industry. The initiative offers financial incentives to employers that meet specified standards in disability management and return to work for their employees. Based on the results of the pilot project, the program may be expanded to other industries and could be a useful tool for further improving the return-to-work rate in future years.

Looking ahead

Moving forward, WorkSafeBC will continue to fine-tune its return-to-work programs and initiatives and focus on intervening earlier in the claim process to give injured workers the best chance possible of getting back to safe and productive employment. However, external factors such as the economic climate, severity of injuries, and workforce demographics may make it difficult to realize further improvements in the years ahead.

Recent shifts in industry mix, for example, have seen increased growth in industries with higher rates of injury and more severe injury types. If this trend continues, it could lead to a greater volume of complex claims, which would strain WorkSafeBC's vocational rehabilitation resources and exert negative pressure on the return-to-work rate.

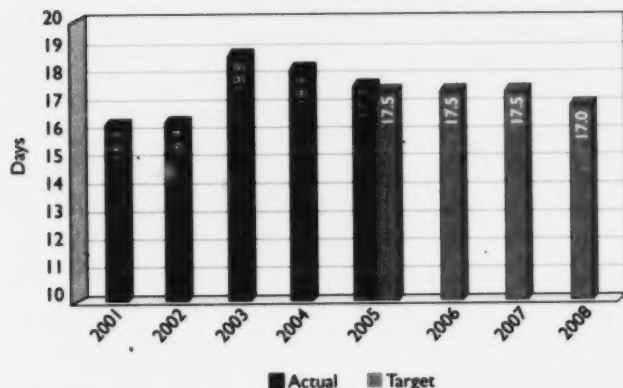
Nevertheless, based on current data, WorkSafeBC is confident that it can reach its future targets through continued early intervention and an expansion of incentive programs that encourage employers to take a more proactive role in the return-to-work process. WorkSafeBC is aiming to keep the successful return-to-work rate at 70 percent or higher in 2006 and 2007, and to reach 71 percent by 2008.

¹ Typically, 3 to 4 percent of all injured workers with wage-loss claims are referred to Vocational Rehabilitation Services for return-to-work assistance.

² At the end of 2005, WorkSafeBC employed a total 44 full-time-equivalent nurse advisers.

Key objective/performance indicator #4: Improve timeliness of initial short-term disability payments

Timeliness of initial short-term
disability payments



Importance

This measure tracks the length of time it takes WorkSafeBC to get initial wage-loss payments to injured workers with short-term disability claims.¹ Many injured workers rely on timely payment of their benefits in order to sustain themselves and their families until they are able to return to work. Although payment times can be affected by a number of external factors, such as the length of time it takes workers, employers, and health care providers to register their information, WorkSafeBC strives to get disability payments to injured workers as quickly as possible, without compromising the integrity of the adjudication process.

Setting targets

Most workers are used to receiving pay every two weeks. Since the *Workers Compensation Act* requires employers to report a work-related injury within three days, this measure reflects WorkSafeBC's desire to maintain regular biweekly payments from the time a claim is first reported. WorkSafeBC generally aims to keep timeliness in the range of 17 to 18 days² (based on the current mix of claims and present state of WorkSafeBC's systems and processes), which builds in adequate time for proper investigation and determination of entitlement.

Performance highlights

WorkSafeBC improved timeliness of initial short-term disability payments to 17.7 days in 2005,³ down from 18.3 days in 2004, and just off the target of 17.5 days for the year.⁴ This is the second year in a row that timeliness has improved following a high of 18.8 days in 2003.

Major programs and strategies

The volume of claims reported to WorkSafeBC increased by about 5 percent in 2005. This exerted considerable strain on the organization's resources, impacting several key performance indicators, including timeliness of initial short-term disability payments. In response to the challenge, WorkSafeBC hired 38 new compensation and assessment employees in 2005 to help bring service levels back under control.⁵ Without the additional staff, management estimates that timeliness could have increased by as much as three days.

During the year, WorkSafeBC established an action planning committee, which brought together representatives from all of its claim-processing offices and departments in order to find ways to improve the timeliness of benefit payments. Based on the team's recommendations and findings from various internal reviews, WorkSafeBC undertook a number of initiatives to improve the speed and accuracy of front-end claim processing and the efficiency of entitlement decision making, both of which contributed to the improved timeliness result.

Through the account management program (see page 28), WorkSafeBC also worked closely with groups of employers to educate them on their injury reporting responsibilities and improve the timeliness with which they register their claims.

Looking ahead

In 2006, WorkSafeBC is aiming to get initial short-term disability payments to injured workers within an average of 17.5 days, and by 2008 the goal is to reduce average timeliness to 17 days. This modest improvement is supported, in part, by a survey conducted in 2005, in which 78 percent of injured workers felt their cheques were sent in a timely manner. Still, improvements are expected through a number of planned quality-enhancement and training initiatives.

1 Timeliness of initial short-term disability payment is defined as the average interval between the first day an injured worker is entitled to wage-loss benefits and the date on which his or her first short-term disability payment is entered into WorkSafeBC's payment system.

2 Previously, WorkSafeBC's target range in this area was 15 to 17 days. However, given the increase in claim volumes and the current industry mix, management now considers a range of 17 to 18 days to be optimal.

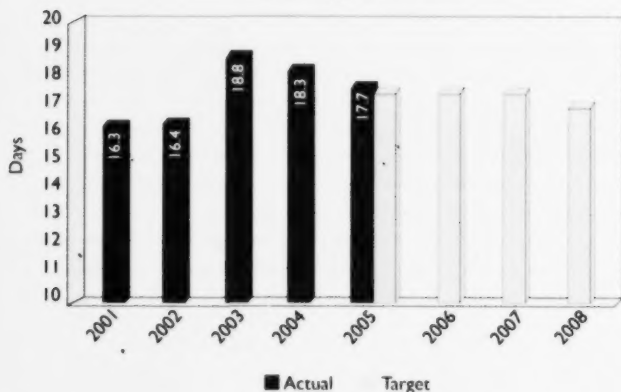
3 The 17.7 day timeliness statistic represents 79.6 percent of injured workers who receive payments directly from WorkSafeBC (timeliness of 22.4 days) and 20.4 percent of injured workers who continue to be paid by their employers ("experienced" timeliness of 0 days).

4 When the 2005 target was originally set, the 2004 result was forecast to be 18.0 days; however, the final 2004 result was actually 18.3 days. Because the 2005 target is relative to the 2004 result, WorkSafeBC adjusted the 2005 target to 17.8 days partway through the year.

5 This includes an additional 16 case managers, eight client services representatives, and eight nurse advisers for claim-related work, and six registration officers for assessment work. WorkSafeBC's budgeted complement includes 256 case managers, 85 client services representatives, 55 nurse advisers, and 18 registration officers (all full-time equivalents).

Key objective/performance indicator #4: Improve timeliness of initial short-term disability payments

Timeliness of initial short-term
disability payments



Importance

This measure tracks the length of time it takes WorkSafeBC to get initial wage-loss payments to injured workers with short-term disability claims.¹ Many injured workers rely on timely payment of their benefits in order to sustain themselves and their families until they are able to return to work. Although payment times can be affected by a number of external factors, such as the length of time it takes workers, employers, and health care providers to register their information, WorkSafeBC strives to get disability payments to injured workers as quickly as possible, without compromising the integrity of the adjudication process.

Setting targets

Most workers are used to receiving pay every two weeks. Since the *Workers Compensation Act* requires employers to report a work-related injury within three days, this measure reflects WorkSafeBC's desire to maintain regular biweekly payments from the time a claim is first reported. WorkSafeBC generally aims to keep timeliness in the range of 17 to 18 days² based on the current mix of claims and present state of WorkSafeBC's systems and processes, which builds in adequate time for proper investigation and determination of entitlement.

Performance highlights

WorkSafeBC improved timeliness of initial short-term disability payments to 17.7 days in 2005,³ down from 18.3 days in 2004, and just off the target of 17.5 days for the year.⁴ This is the second year in a row that timeliness has improved following a high of 18.8 days in 2003.

Major programs and strategies

The volume of claims reported to WorkSafeBC increased by about 5 percent in 2005. This exerted considerable strain on the organization's resources, impacting several key performance indicators, including timeliness of initial short-term disability payments. In response to the challenge, WorkSafeBC hired 38 new compensation and assessment employees in 2005 to help bring service levels back under control.⁵ Without the additional staff, management estimates that timeliness could have increased by as much as three days.

During the year, WorkSafeBC established an action planning committee, which brought together representatives from all of its claim-processing offices and departments in order to find ways to improve the timeliness of benefit payments. Based on the team's recommendations and findings from various internal reviews, WorkSafeBC undertook a number of initiatives to improve the speed and accuracy of front-end claim processing and the efficiency of entitlement decision making, both of which contributed to the improved timeliness result.

Through the account management program (see page 28), WorkSafeBC also worked closely with groups of employers to educate them on their injury reporting responsibilities and improve the timeliness with which they register their claims.

Looking ahead

In 2006, WorkSafeBC is aiming to get initial short-term disability payments to injured workers within an average of 17.5 days, and by 2008 the goal is to reduce average timeliness to 17 days. This modest improvement is supported, in part, by a survey conducted in 2005, in which 73 percent of injured workers felt their cheques were sent in a timely manner. Still, improvements are expected through a number of planned quality-enhancement and training initiatives.

1 Timeliness of initial short-term disability payment is defined as the average interval between the first day an injured worker is entitled to wage-loss benefits and the date on which his or her first short-term disability payment is entered into WorkSafeBC's payment system.

2 Previously, WorkSafeBC's target range in this area was 15 to 17 days. However, given the increase in claim volumes and the current industry mix, management now considers a range of 17 to 18 days to be optimal.

3 The 17.7 day timeliness statistic represents 79.6 percent of injured workers who receive payments directly from WorkSafeBC (timeliness of 22.4 days) and 20.4 percent of injured workers who continue to be paid by their employers ("experienced" timeliness of 0 days).

4 When the 2005 target was originally set, the 2004 result was forecast to be 18.0 days; however, the final 2004 result was actually 18.3 days. Because the 2005 target is relative to the 2004 result, WorkSafeBC adjusted the 2005 target to 17.8 days partway through the year.

5 This includes an additional 16 case managers, eight client services representatives, and eight nurse advisers for claim-related work, and six registration officers for assessment work. WorkSafeBC's budgeted complement includes 256 case managers, 85 client services representatives, 55 nurse advisers, and 18 registration officers full-time equivalents.

Later this year, WorkSafeBC will introduce a new information collection and channelling program, which will improve WorkSafeBC's ability to send and receive information to and from stakeholders in a timely and accurate manner. This will help facilitate timely reporting of claims, which, in turn, should help improve the speed of initial short-term disability payments. WorkSafeBC will also roll out a new entitlement business model that will support improved timeliness of entitlement decision making. And WorkSafeBC will continue to educate workers, employers, and medical providers on their reporting responsibilities.

The major issue that could negatively affect timeliness is the number of wage-loss claims accepted by WorkSafeBC. If the volume of wage-loss claims continues to grow, it will become increasingly difficult for WorkSafeBC to achieve its targets across a number of performance areas, including timeliness of initial disability payments. To address the issue, WorkSafeBC will hire additional compensation employees in 2006. WorkSafeBC is also stepping up its prevention activities in a number of key areas, including construction, forestry, fishing, and other high-risk industries — to help stem the tide of incoming claims — see page 21.

Key objective/performance indicator #5: Improve injured workers' rating of overall service



Importance

WorkSafeBC strives to continually improve the service it provides to workers. To measure success in this area, WorkSafeBC conducts surveys of injured workers and asks them to rate WorkSafeBC on a variety of service attributes. The main indicator of success is the workers' impressions of overall service

provided by the WorkSafeBC staff member with whom they had their last contact during the claim process. The ratings are scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."

Setting targets

Since WorkSafeBC is an adjudicative body and must often make difficult decisions based on policy and legislation, not all workers will be satisfied with the service received in each and every case. WorkSafeBC strives to continually improve its service rating from injured workers, but realistically expects peak performance to be in the range of 8.0 to 8.5 out of 10. WorkSafeBC's targets in this area reflect the anticipated results of new service-related initiatives that are planned or currently underway.

Performance highlights

In 2005, WorkSafeBC staff achieved an average rating of 7.8 out of 10 from injured workers for "overall service," which remained steady from the previous year and was slightly lower than the target of 8.0 out of 10.¹

Major programs and strategies

In 2005, WorkSafeBC introduced a number of new initiatives to improve the level of service provided to workers. The most significant was the Voice of the Customer program — a completely redesigned stakeholder feedback strategy that enables WorkSafeBC to identify, prioritize, and respond to workers' most pressing service needs. Through a series of surveys and feedback sessions, WorkSafeBC asked injured workers how the organization could best improve overall service. Collectively, injured workers said their top three service priorities were to be treated with care and compassion, to be kept informed of their claim status, and to be treated fairly and impartially.

To provide context for these newly identified priorities, staff from all of WorkSafeBC's claim-related business units and area offices participated in a series of focus groups with injured workers throughout the province. In the sessions, workers expressed in their own terms how WorkSafeBC could become an organization recognized for outstanding service and emphasized that they want to be treated as individuals, not numbers; they want plain language explanations rather than quotations of law and policy; and they want acknowledgement of the unique factors attached to their injuries.

Based on the feedback received, WorkSafeBC redesigned its quarterly worker survey to better measure performance against

¹ These results are based on responses from a sample of 300 injured workers who have either been paid wage-loss or vocational rehabilitation benefits in the previous 90 days or whose claims were disallowed in the previous 90 days. In 2005, one survey was conducted from November 17 to December 4. The margin of error for the results is ± 5.6 percent, 95 times out of 100.

the areas of service that workers have identified as being most important. Each business unit and area office has also begun developing its own service plan to better address workers' expectations.

In 2005, WorkSafeBC also completed the second year of a transformational phase that has seen internal operations restructured to better serve workers, employers, and other key stakeholders. Under the new structure, WorkSafeBC has brought together prevention, compensation, rehabilitation, and assessment functions into one single division, which has simplified and streamlined workers' and employers' interactions with WorkSafeBC and will lead to more knowledgeable, personalized service in the years ahead.

Other service improvements introduced during the year included enhancements to systems and processes for handling claims, a greater focus on return-to-work planning earlier in the claim process, and a variety of targeted, service-oriented training initiatives. WorkSafeBC also revised its claim management standards, incorporating new service strategies and tools to help ensure that service quality to injured workers can be continually evaluated and enhanced.

Looking ahead

There is a natural lag time between when programs are first introduced and when they reach their maximum effectiveness. As WorkSafeBC's new service-related initiatives continue to grow and evolve, workers' ratings of service are expected to increase. In 2006, WorkSafeBC is aiming to achieve a score of 8.0 out of 10 for overall service from injured workers, and by 2008 the goal is to reach 8.2 out of 10.

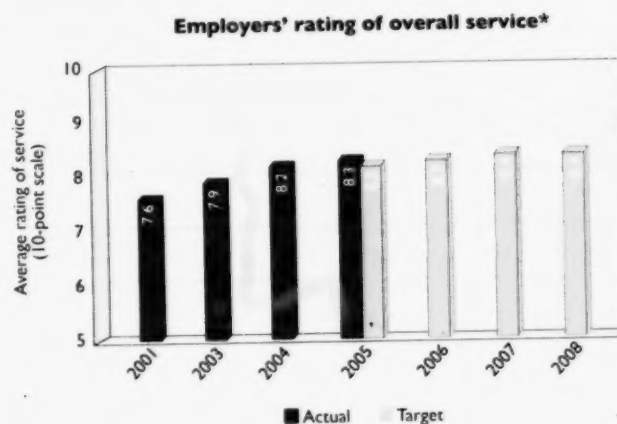
Over the next year, WorkSafeBC will continue to incorporate findings from the Voice of the Customer program in each business unit and area office that deals with injured workers. This will likely result in system-wide changes to business processes as well as more immediate changes to individual behaviour. In addition to addressing the top three service attributes: care and compassion, keeping workers informed, and treating workers fairly and impartially, WorkSafeBC will also focus on improving the quality and consistency of its decision making (see page 35), which is another key service component identified as a priority by injured workers.

As WorkSafeBC's new service structure and account management initiative (see page 28) continue to evolve, workers should

see a marked improvement in the level of service provided by staff. WorkSafeBC will also introduce a new strategy for getting nurse advisers involved earlier in the claim process to facilitate early recovery and successful return to work.

While increasing economic activity and a corresponding higher volume of claims could pose major service delivery challenges in future years, WorkSafeBC is mitigating the risk by hiring additional adjudication and rehabilitation staff and refocusing its prevention resources on high-impact industry sectors. Also, with ongoing feedback collected through the Voice of the Customer program, WorkSafeBC has a better understanding of how to monitor and improve customer service and adjust to workers' changing expectations.

Key objective/performance indicator #6: Improve employers' rating of overall service



*WorkSafeBC did not conduct an employer survey in 2002.

Importance

WorkSafeBC is committed to delivering the best service possible to its employer stakeholders. To measure performance in this area, WorkSafeBC conducts randomized surveys of employers who have had two or more claims in the previous 12 months.¹ The surveys gather data in a variety of categories, but the main indicator of success is employers' rating of overall service provided by the WorkSafeBC staff member with whom they had their last point of contact regarding their claim. The ratings are scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."²

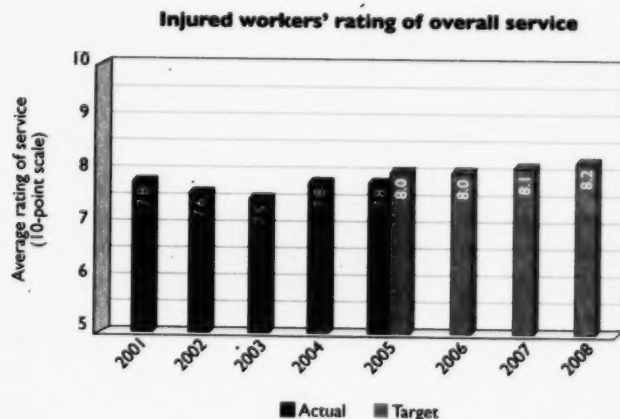
1 Three hundred employers were contacted in 2005, with 56.3 percent completing the survey. The total margin of error is ± 5.5 percent, 19 times out of 20. The population of employers used for randomized polling includes all employers who have registered at least two long-term disability, wage-loss, or fatal claims in the previous 12 months. Employers are stratified by size (small, medium, large) and by region (Lower Mainland and the rest of B.C.), then randomly drawn from each of the six subgroups (three employer sizes x two regions).

2 The scores between 1 and 10 do not have defined values, but do have intrinsic meaning when compared with historical results. The closer the number is to 10, the better the score.

Later this year, WorkSafeBC will introduce a new information collection and channelling program, which will improve WorkSafeBC's ability to send and receive information to and from stakeholders in a timely and accurate manner. This will help facilitate timely reporting of claims, which, in turn, should help improve the speed of initial short-term disability payments. WorkSafeBC will also roll out a new entitlement business model that will support improved timeliness of entitlement decision making. And WorkSafeBC will continue to educate workers, employers, and medical providers on their reporting responsibilities.

The major issue that could negatively affect timeliness is the number of wage-loss claims accepted by WorkSafeBC. If the volume of wage-loss claims continues to grow, it will become increasingly difficult for WorkSafeBC to achieve its targets across a number of performance areas, including timeliness of initial disability payments. To address the issue, WorkSafeBC will hire additional compensation employees in 2006. WorkSafeBC is also stepping up its prevention activities in a number of key areas, including construction, forestry, fishing, and other high-risk industries — to help stem the tide of incoming claims (see page 21).

Key objective/performance indicator #5: Improve injured workers' rating of overall service



Importance

WorkSafeBC strives to continually improve the service it provides to workers. To measure success in this area, WorkSafeBC conducts surveys of injured workers and asks them to rate WorkSafeBC on a variety of service attributes. The main indicator of success is the workers' impressions of overall service

provided by the WorkSafeBC staff member with whom they had their last contact during the claim process. The ratings are scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."

Setting targets

Since WorkSafeBC is an adjudicative body and must often make difficult decisions based on policy and legislation, not all workers will be satisfied with the service received in each and every case. WorkSafeBC strives to continually improve its service rating from injured workers, but realistically expects peak performance to be in the range of 8.0 to 8.5 out of 10. WorkSafeBC's targets in this area reflect the anticipated results of new service-related initiatives that are planned or currently underway.

Performance highlights

In 2005, WorkSafeBC staff achieved an average rating of 7.8 out of 10 from injured workers for "overall service," which remained steady from the previous year and was slightly lower than the target of 8.0 out of 10.¹

Major programs and strategies

In 2005, WorkSafeBC introduced a number of new initiatives to improve the level of service provided to workers. The most significant was the Voice of the Customer program — a completely redesigned stakeholder feedback strategy that enables WorkSafeBC to identify, prioritize, and respond to workers' most pressing service needs. Through a series of surveys and feedback sessions, WorkSafeBC asked injured workers how the organization could best improve overall service. Collectively, injured workers said their top three service priorities were to be treated with care and compassion, to be kept informed of their claim status, and to be treated fairly and impartially.

To provide context for these newly identified priorities, staff from all of WorkSafeBC's claim-related business units and area offices participated in a series of focus groups with injured workers throughout the province. In the sessions, workers expressed in their own terms how WorkSafeBC could become an organization recognized for outstanding service and emphasized that they want to be treated as individuals, not numbers; they want plain language explanations rather than quotations of law and policy; and they want acknowledgement of the unique factors attached to their injuries.

Based on the feedback received, WorkSafeBC redesigned its quarterly worker survey to better measure performance against

¹ These results are based on responses from a sample of 300 injured workers who have either been paid wage-loss or vocational rehabilitation benefits in the previous 90 days or whose claims were disallowed in the previous 90 days. In 2005, one survey was conducted from November 17 to December 4. The margin of error for the results is +/- 5.6 percent, 95 times out of 100.

the areas of service that workers have identified as being most important. Each business unit and area office has also begun developing its own service plan to better address workers' expectations.

In 2005, WorkSafeBC also completed the second year of a transformational phase that has seen internal operations restructured to better serve workers, employers, and other key stakeholders. Under the new structure, WorkSafeBC has brought together prevention, compensation, rehabilitation, and assessment functions into one single division, which has simplified and streamlined workers' and employers' interactions with WorkSafeBC and will lead to more knowledgeable, personalized service in the years ahead.

Other service improvements introduced during the year included enhancements to systems and processes for handling claims, a greater focus on return-to-work planning earlier in the claim process, and a variety of targeted, service-oriented training initiatives. WorkSafeBC also revised its claim management standards, incorporating new service strategies and tools to help ensure that service quality to injured workers can be continually evaluated and enhanced.

Looking ahead

There is a natural lag time between when programs are first introduced and when they reach their maximum effectiveness. As WorkSafeBC's new service-related initiatives continue to grow and evolve, workers' ratings of service are expected to increase. In 2006, WorkSafeBC is aiming to achieve a score of 8.0 out of 10 for overall service from injured workers, and by 2008 the goal is to reach 8.2 out of 10.

Over the next year, WorkSafeBC will continue to incorporate findings from the Voice of the Customer program in each business unit and area office that deals with injured workers. This will likely result in system-wide changes to business processes as well as more immediate changes to individual behaviour. In addition to addressing the top three service attributes (care and compassion, keeping workers informed, and treating workers fairly and impartially), WorkSafeBC will also focus on improving the quality and consistency of its decision making (see page 35), which is another key service component identified as a priority by injured workers.

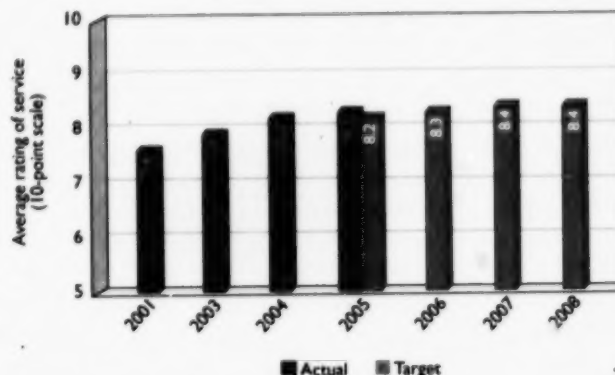
As WorkSafeBC's new service structure and account management initiative (see page 28) continue to evolve, workers should

see a marked improvement in the level of service provided by staff. WorkSafeBC will also introduce a new strategy for getting nurse advisers involved earlier in the claim process to facilitate early recovery and successful return to work.

While increasing economic activity and a corresponding higher volume of claims could pose major service delivery challenges in future years, WorkSafeBC is mitigating the risk by hiring additional adjudication and rehabilitation staff and refocusing its prevention resources on high-impact industry sectors. Also, with ongoing feedback collected through the Voice of the Customer program, WorkSafeBC has a better understanding of how to monitor and improve customer service and adjust to workers' changing expectations.

Key objective/performance indicator #6: Improve employers' rating of overall service

Employers' rating of overall service*



*WorkSafeBC did not conduct an employer survey in 2002.

Importance

WorkSafeBC is committed to delivering the best service possible to its employer stakeholders. To measure performance in this area, WorkSafeBC conducts randomized surveys of employers who have had two or more claims in the previous 12 months.¹ The surveys gather data in a variety of categories, but the main indicator of success is employers' rating of overall service provided by the WorkSafeBC staff member with whom they had their last point of contact regarding their claim. The ratings are scored on a 10-point scale, with 10 representing "excellent" and 1 representing "extremely poor."²

1 Three hundred employers were contacted in 2005, with 56.3 percent completing the survey. The total margin of error is ± 5.5 percent, 19 times out of 20. The population of employers used for randomized polling includes all employers who have registered at least two long-term disability, wage-loss, or fatal claims in the previous 12 months. Employers are stratified by size (small, medium, large) and by region (Lower Mainland and the rest of B.C.), then randomly drawn from each of the six subgroups (three employer sizes x two regions).

2 The scores between 1 and 10 do not have defined values, but do have intrinsic meaning when compared with historical results. The closer the number is to 10, the better the score.

Setting targets

WorkSafeBC strives to continuously improve the employers' service rating but, due to the adjudicative and regulatory nature of the organization's mandate, it is unrealistic to believe all surveyed employers will ever rate overall service a perfect 10. Given WorkSafeBC's mandate, programs, and present technology, peak performance in this area is estimated to be in the range of 8.0 to 8.5 out of 10.

Performance highlights

In 2005, WorkSafeBC staff achieved an average rating of 8.3 out of 10 from employers for "overall service," which surpassed the target of 8.2 for the year. This is the fourth consecutive year that the service score has risen.

Major programs and strategies

In the latter part of 2004, WorkSafeBC introduced a new service strategy and operational structure that saw specialized teams of WorkSafeBC staff assigned to specific industries and/or large employers. In 2005, WorkSafeBC continued to develop this initiative by strengthening and supporting teams in areas such as construction, health care, hospitality, accommodation, manufacturing, and transportation. Employers have benefited from this strategy by being matched with WorkSafeBC representatives who are familiar with their industry and understand the issues unique to their specific jobs and worksites. The strategy is expected to evolve over time as representatives' knowledge and expertise grow, and as WorkSafeBC programs and resources are further integrated and aligned with stakeholders' changing needs.

In 2005, WorkSafeBC continued to expand and enhance the account management program, which is designed to provide customized service to specific groups of employers.¹ Under the program, WorkSafeBC account managers act as primary points of contact for their employers, and work with their clients to coordinate integrated service delivery on WorkSafeBC's behalf. During the year, account managers helped 27 firms develop disability management programs, leading to decreased claim costs for many participating employers. The benefits of the program are expected to increase as account managers strengthen their relationships with employers over time. In fact, survey results already indicate that employers served by account managers are generally more satisfied with WorkSafeBC than those that are not.

To better understand and respond to stakeholder needs, WorkSafeBC rolled out the new Voice of the Customer program

(outlined on page 26). As part of the program, WorkSafeBC's employer survey was revamped to better capture the factors behind the employers' service scores. The new survey contains more detailed questions and covers areas of service that employers have identified as being most important to them. As a result, WorkSafeBC now has a better understanding of the reasons behind its overall service rating and knows where to best focus its time and resources in order to further improve service satisfaction. For example, when it comes to the claim process, employers say they want their opinions to be valued by WorkSafeBC staff, they want to be kept informed, and they want WorkSafeBC staff to be familiar with their industries. WorkSafeBC is responding by introducing new initiatives and allocating additional resources to better meet each of these service needs.

Looking ahead

The Voice of the Customer program has allowed WorkSafeBC to build a more comprehensive picture of service performance across a broader range of areas within the organization. The new survey tracks and measures employers' attitudes and perceptions about all of their experiences with WorkSafeBC, and asks about their overall impressions of the service provided, whereas the previous employer survey focused exclusively on personal interaction in regards to a claim. With this in mind, WorkSafeBC is looking to move away from its current employer service measure toward a more holistic "employer index" that reflects a wider range of customer experiences, attitudes, and feelings. In the meantime, WorkSafeBC will continue to use current indicators to measure and track its success.

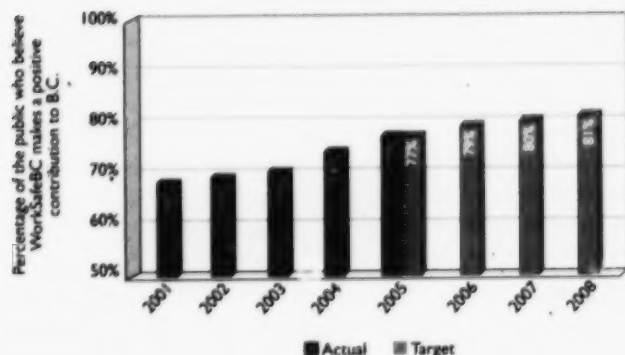
In 2006, WorkSafeBC is aiming to maintain employers' service rating of 8.3 out of 10 as the organization continues to strengthen its industry-segmented service strategy. WorkSafeBC will also expand its account management program by hiring additional staff and bringing more employers under the account management umbrella. A number of smaller training and service initiatives, many of which are based on feedback received through the Voice of the Customer program, are either in the planning stage or already underway. WorkSafeBC will continue to reach out to employers and industry associations to support improved health and safety and effective disability management — particularly in fast-growing high-risk sectors, such as construction and oil and gas. And WorkSafeBC will be intensifying its prevention field activities in the years ahead, spending more time with employers at the worksite level to address specific health and safety issues and concerns.

¹ Employers who receive account management services are not necessarily selected for the program because of their size, but because they are deemed most likely to benefit from the personalized attention. Some of these employers have high claim costs and injury rates, while others have high experience-rating surcharges, or challenges with their return-to-work programs.

The rising volume of wage-loss claims could potentially impact the efficiency of claim processing; thereby affecting employers' service ratings. To offset this pressure, WorkSafeBC is hiring additional compensation staff and is undertaking a number of new targeted strategies to prevent injury and illness in 2006 (see pages 21 to 22). Over the longer term, WorkSafeBC is aiming to increase employers' rating of service to 8.4 in 2007 and 2008.

Key objective/performance indicator #7: Raise public confidence

Public contribution index



Importance

WorkSafeBC strives to be recognized as an asset by all British Columbians and relies on their trust and buy-in in order to improve the health and safety of B.C. workplaces and improve return-to-work outcomes for injured workers. Increased public confidence enables WorkSafeBC to deliver its WorkSafe message more effectively and build lasting partnerships in support of its strategic goals.

To measure public confidence, WorkSafeBC contracts Ipsos Reid to survey 800 B.C. residents at least four times a year in order to measure how they view WorkSafeBC and its contribution to the province.¹ Although a variety of factors are measured, the major indicator of success is the overall approval rating, which indicates the degree to which British Columbians think WorkSafeBC makes a positive contribution to the province.

Setting targets

The public contribution index is a relative measure with optimal performance defined by the drive to continually raise the index year over year, and by the comparison between WorkSafeBC's results and the results of other public and private

organizations that track their public contribution rating in a similar manner. WorkSafeBC recognizes that it will probably never reach a 100 percent positive rating, but strives to get as close as possible over time.

Performance highlights

WorkSafeBC's average public contribution rating reached an all-time high of 77 percent positive in 2005, which was on target for the year and higher than the 74 percent average positive rating in 2004. The increase is a continuation of a trend that has seen WorkSafeBC's rating climb steadily from a 51 percent positive rating in 1996.

Major programs and strategies

WorkSafeBC's public contribution rating is not tied to any specific group of programs or initiatives, but rather encompasses all aspects of the organization, including prevention, claim management, education, claim adjudication, return to work and rehabilitation, financial stability, and more. The rating is a reflection of everything WorkSafeBC does and a summation of its perceived value and quality of service to the community.

Looking ahead

Building on the success achieved in 2005, WorkSafeBC aims to increase its public contribution rating to 79 percent positive in 2006, and to reach an 81 percent positive rating by the end of 2008. In the years ahead, WorkSafeBC will face escalating demands due to increasing stakeholder expectations and economic growth. Also, as public confidence grows, percentage point increases will become more difficult to achieve. But by maintaining high levels of service, building on its achievements, and continually looking for new opportunities to add value for its stakeholders, WorkSafeBC believes it can reach its public contribution targets.

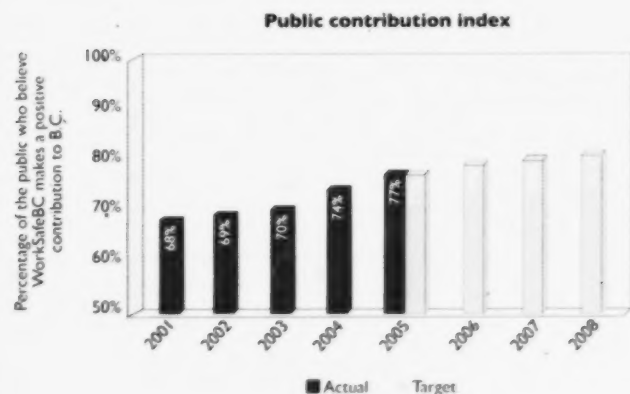
WorkSafeBC's new industry-aligned service strategy and the account management program are two initiatives that are expected to significantly improve service to stakeholders over time. In addition, the Voice of the Customer program (outlined on page 26) will assist WorkSafeBC to better identify, prioritize, and respond to stakeholders' most pressing service needs.

WorkSafeBC will continue to reach out to workers, employers, industry associations, and labour organizations to build shared ownership and responsibility for occupational health and safety and return to work. WorkSafeBC is also planning a new social change program (see page 22) designed to share the WorkSafe message with a broader public audience and shift public attitudes toward workplace health and safety.

¹ In 2005, WorkSafeBC conducted seven public contribution surveys for a total population size of 5,600 B.C. residents. The margin of error for each of the six surveys was +/- 3.5 percent, 95 times out of 100.

The rising volume of wage-loss claims could potentially impact the efficiency of claim processing; thereby affecting employers' service ratings. To offset this pressure, WorkSafeBC is hiring additional compensation staff and is undertaking a number of new targeted strategies to prevent injury and illness in 2006 (see pages 21 to 22). Over the longer term, WorkSafeBC is aiming to increase employers' rating of service to B+ in 2007 and 2008.

Key objective/performance indicator #7: Raise public confidence



Importance

WorkSafeBC strives to be recognized as an asset by all British Columbians and relies on their trust and buy-in in order to improve the health and safety of B.C. workplaces and improve return-to-work outcomes for injured workers. Increased public confidence enables WorkSafeBC to deliver its WorkSafe message more effectively and build lasting partnerships in support of its strategic goals.

To measure public confidence, WorkSafeBC contracts Ipsos Reid to survey 300 B.C. residents at least four times a year in order to measure how they view WorkSafeBC and its contribution to the province.¹ Although a variety of factors are measured, the major indicator of success is the overall approval rating, which indicates the degree to which British Columbians think WorkSafeBC makes a positive contribution to the province.

Setting targets

The public contribution index is a relative measure with optimal performance defined by the drive to continually raise the index year over year, and by the comparison between WorkSafeBC's results and the results of other public and private

organizations that track their public contribution rating in a similar manner. WorkSafeBC recognizes that it will probably never reach a 100 percent positive rating, but strives to get as close as possible over time.

Performance highlights

WorkSafeBC's average public contribution rating reached an all-time high of 77 percent positive in 2005, which was on target for the year and higher than the 71 percent average positive rating in 2001. The increase is a continuation of a trend that has seen WorkSafeBC's rating climb steadily from a 51 percent positive rating in 1996.

Major programs and strategies

WorkSafeBC's public contribution rating is not tied to any specific group of programs or initiatives, but rather encompasses all aspects of the organization, including prevention, claim management, education, claim adjudication, return to work and rehabilitation, financial stability, and more. The rating is a reflection of everything WorkSafeBC does and a summation of its perceived value and quality of service to the community.

Looking ahead

Building on the success achieved in 2005, WorkSafeBC aims to increase its public contribution rating to 79 percent positive in 2006, and to reach an 81 percent positive rating by the end of 2008. In the years ahead, WorkSafeBC will face escalating demands due to increasing stakeholder expectations and economic growth. Also, as public confidence grows, percentage point increases will become more difficult to achieve. But by maintaining high levels of service, building on its achievements, and continually looking for new opportunities to add value for its stakeholders, WorkSafeBC believes it can reach its public contribution targets.

WorkSafeBC's new industry-aligned service strategy and the account management program are two initiatives that are expected to significantly improve service to stakeholders over time. In addition, the Voice of the Customer program outlined on page 26 will assist WorkSafeBC to better identify, prioritize, and respond to stakeholders' most pressing service needs.

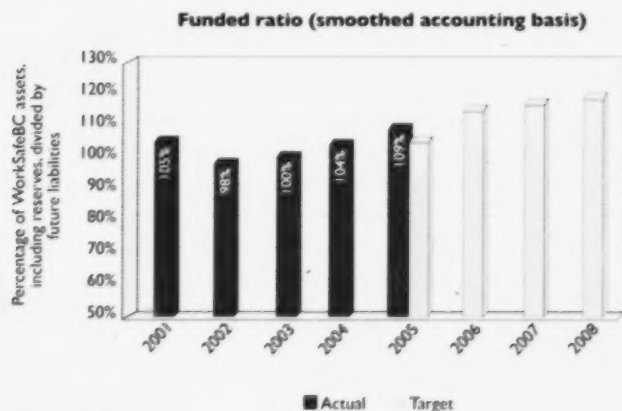
WorkSafeBC will continue to reach out to workers, employers, industry associations, and labour organizations to build shared ownership and responsibility for occupational health and safety and return to work. WorkSafeBC is also planning a new social change program (see page 22) designed to share the WorkSafe message with a broader public audience and shift public attitudes toward workplace health and safety.

¹ In 2005, WorkSafeBC conducted seven public contribution surveys for a total population size of 5,600 B.C. residents. The margin of error for each of the six surveys was ± 3.5 percent, 95 times out of 100.

Through these and other ongoing service initiatives, WorkSafeBC will continue to increase public confidence in the organization and improve the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve an accident fund ratio in the range of 100 to 130 percent

Note: The information in this section is consistent with WorkSafeBC's funding policy of smoothing all realized and unrealized capital gains and losses over a five-year period, as opposed to the market value approach to accounting, which requires the immediate reporting of all capital gains and losses each year. WorkSafeBC's target funding range in this area (outlined below) is also based on the smoothed accounting method. WorkSafeBC does not set a target range based on the market value approach (as used in the financial statements), because market value results can change significantly year to year due to market volatility.



Importance

WorkSafeBC's \$9-billion accident fund, valued on a smoothed basis, represents the aggregate of its invested premiums and the net gains or losses on funds collected to cover the costs related to past injuries and disabilities. For example, a worker who suffered a severe injury in 2001 may still require financial assistance to cover medical costs and lost wages in present and future years. The combined total of such future costs for all claims incurred in the current and prior years is a liability against the value of the accident fund. The value of the accident fund assets, including reserves, divided by the total future liabilities is known as the funded ratio.

When the funded ratio is too high, above 130 percent, it removes more money than necessary from the hands of employers — money that could otherwise be used for investments, wage increases, expansion, or other initiatives.

When the funded ratio is too low, below 100 percent, it effectively transfers the current liability cost burden to future generations of employers who will have to pay higher premium to cover the difference.

Setting targets

WorkSafeBC strives to achieve a funded ratio in the range of 100 to 130 percent. Keeping the funded ratio within this range helps avoid wide swings in premium rates and improves the long-term ability of employers to remain competitive and plan for the future.

The target range of 100 to 130 percent represents a change from WorkSafeBC's previous target range of 90 to 110 percent. WorkSafeBC's Board of Directors established the new range, with minimum full funding and a higher upper limit, in light of recent experience and a changing investment climate, which indicate that WorkSafeBC's future investment returns will be less favourable than those realized in the previous decade — lower expected real rates of interest and an attendant lower equity premium. WorkSafeBC must therefore strengthen its capital reserves to cushion the impact of infrequent but periodic market declines. Otherwise, the system could slip back into an unfunded position which would lead to increased workers' compensation costs for present and future employers, making B.C. industries less competitive on a national and international basis. Prudent fiscal management dictates that the minimum funding target for the organization should not fall below 100 percent.

Performance highlights

At the end of 2005, the accident fund, including reserves, was 109 percent of liabilities, which was slightly higher than WorkSafeBC's target of 105 percent.

The improvement in the funded status was driven by increases in premium and investment income, which both significantly exceeded 2005 forecast levels; 2005 actual benefit costs were lower than planned, primarily due to lower long-term disability costs. The decrease in benefit costs was achieved despite a small increase in the injury rate in 2005.

Major programs and strategies

To help keep the funded ratio within the target range, WorkSafeBC maintains a conservative and widely diversified investment portfolio designed to provide a reliable, stable return with minimal risk to the system. Through this prudent investment strategy, WorkSafeBC provides reasonable assurance that, in the long term, investment returns should cover inflationary increases to benefit liabilities.¹ Over the past five years, ending December 31, 2005, WorkSafeBC's portfolio of

¹ Compensation benefits are, by legislation, indexed to the increase in the consumer price index (CPI) less 1 percent. WorkSafeBC aims for investment returns at an average rate of 3.5 percent above the CPI.

investments has produced an average accounting rate of return of 4.9 percent.

To protect against sudden changes to the funded ratio, WorkSafeBC has a policy of smoothing realized and unrealized capital gains and losses over a five-year period.¹ This practice, which is followed by all Canadian workers' compensation organizations, tends to reduce large swings in the funded ratio and employers' premiums, and helps WorkSafeBC stay within the target range. More detailed information on WorkSafeBC's financial strategy is provided in a separate section of this report, beginning on page 40.

Besides investment returns, the other source of income that funds the system is employer premium payments. To help ensure timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential opportunities for savings. WorkSafeBC also investigates employers suspected of avoiding their premium payments, and may initiate proceedings that could result in administrative penalties or court-imposed sanctions.

To reduce claim costs, which account for approximately 97 percent of all liabilities against the accident fund, WorkSafeBC partners with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death—see pages 20 to 22. And, when these unfortunate incidents do occur, WorkSafeBC aims to resolve claims in a safe and timely manner and return injured workers to lasting employment—both of which play a major role in reducing claim costs—see pages 22 to 24.

Looking ahead

To maintain the funded ratio within its current range, WorkSafeBC will continue to focus on stable, reliable investment performance; the reduction of workplace injury, illness, disease, and death; and the safe and timely return to work of injured workers. However, the ratio of assets to liabilities is also influenced by a wide range of external factors that includes economic growth, interest rates, inflation, and severity of injuries.

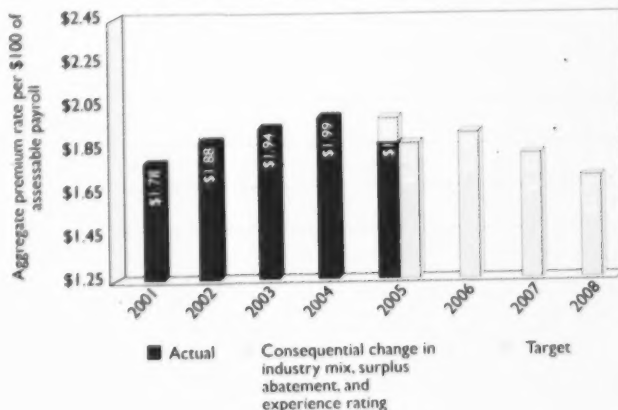
Based on current data, WorkSafeBC's total assets, 93 percent of which are portfolio investments, are forecast to grow by approximately 5.5 percent in 2006. WorkSafeBC's total liabilities are forecast to grow by approximately 1 percent.

The accident fund funded ratio is forecast to reach 115 percent in 2006—a 17 percent improvement over the 2002 funded ratio of 98 percent. If current trends continue as expected, WorkSafeBC is tentatively projecting a funded ratio of 117 percent for 2007, and 119 percent for 2008.

Key objective/performance indicator #9: Attain an aggregate premium rate between \$1.25 and \$2.25

Note: This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate that is published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates, published in the WorkSafeBC rate and classification list, averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate in that it reflects the actual, rather than a projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate due to imbalances arising from the experience-rating plan and the abatement of pre-2000 surplus and interest to employers. This aggregate premium rate can be viewed as a "collection rate" in that it reflects the actual final premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.²

Aggregate premium rate
(Rates shown are final for 2001 to 2004 and estimated for 2005 to 2008)³



1 WorkSafeBC uses the smoothed approach for funding decisions only; fair value accounting is applied for financial reporting purposes.

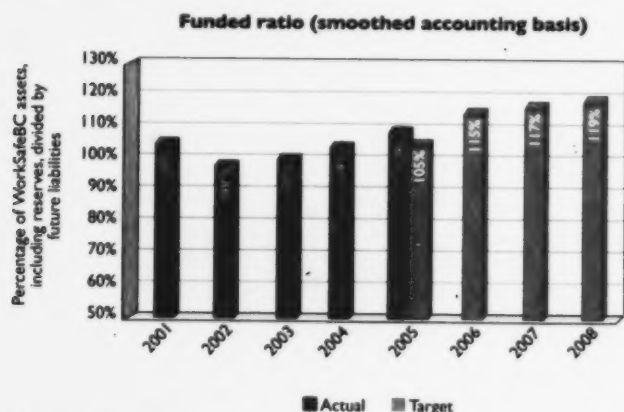
2 In the past, this measure included reference to both the aggregate base premium rate and the actual collection rate. In the interest of simplifying the data presented, this measure now refers to only the actual collection rate.

3 Since WorkSafeBC's premiums are collected in arrears, the actual final collected amount resulting from the mix of industries and their relative payrolls for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2004 and previous years reflects the actual final collected rate. The rate shown for 2005 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives. For more information, refer to the supplementary information at the end of this section (page 33).

Through these and other ongoing service initiatives, WorkSafeBC will continue to increase public confidence in the organization and improve the perceived value of the workers' compensation system among all British Columbians.

Key objective/performance indicator #8: Achieve an accident fund ratio in the range of 100 to 130 percent

Note: The information in this section is consistent with WorkSafeBC's funding policy of smoothing all realized and unrealized capital gains and losses over a five-year period, as opposed to the market value approach to accounting, which requires the immediate reporting of all capital gains and losses each year. WorkSafeBC's target funding range in this area (outlined below) is also based on the smoothed accounting method. WorkSafeBC does not set a target range based on the market value approach (as used in the financial statements), because market value results can change significantly year to year due to market volatility.



Importance

WorkSafeBC's \$9-billion accident fund (valued on a smoothed basis) represents the aggregate of its invested premiums and the net gains or losses on funds collected to cover the costs related to past injuries and disabilities. For example, a worker who suffered a severe injury in 2001 may still require financial assistance to cover medical costs and lost wages in present and future years. The combined total of such future costs for all claims incurred in the current and prior years is a liability against the value of the accident fund. The value of the accident fund assets (including reserves) divided by the total future liabilities is known as the funded ratio.

When the funded ratio is too high (above 130 percent), it removes more money than necessary from the hands of employers — money that could otherwise be used for investments, wage increases, expansion, or other initiatives.

When the funded ratio is too low (below 100 percent), it effectively transfers the current liability cost burden to future generations of employers who will have to pay higher premiums to cover the difference.

Setting targets

WorkSafeBC strives to achieve a funded ratio in the range of 100 to 130 percent. Keeping the funded ratio within this range helps avoid wide swings in premium rates and improves the long-term ability of employers to remain competitive and plan for the future.

The target range of 100 to 130 percent represents a change from WorkSafeBC's previous target range of 90 to 110 percent. WorkSafeBC's Board of Directors established the new range, with minimum full funding and a higher upper limit, in light of recent experience and a changing investment climate, which indicate that WorkSafeBC's future investment returns will be less favourable than those realized in the previous decade (lower expected real rates of interest and an attendant lower equity premium). WorkSafeBC must therefore strengthen its capital reserves to cushion the impact of infrequent but periodic market declines. Otherwise, the system could slip back into an unfunded position which would lead to increased workers' compensation costs for present and future employers, making B.C. industries less competitive on a national and international basis. Prudent fiscal management dictates that the minimum funding target for the organization should not fall below 100 percent.

Performance highlights

At the end of 2005, the accident fund, including reserves, was 109 percent of liabilities, which was slightly higher than WorkSafeBC's target of 105 percent.

The improvement in the funded status was driven by increases in premium and investment income, which both significantly exceeded 2005 forecast levels; 2005 actual benefit costs were lower than planned, primarily due to lower long-term disability costs. The decrease in benefit costs was achieved despite a small increase in the injury rate in 2005.

Major programs and strategies

To help keep the funded ratio within the target range, WorkSafeBC maintains a conservative and widely diversified investment portfolio designed to provide a reliable, stable return with minimal risk to the system. Through this prudent investment strategy, WorkSafeBC provides reasonable assurance that, in the long term, investment returns should cover inflationary increases to benefit liabilities.¹ Over the past five years, ending December 31, 2005, WorkSafeBC's portfolio of

¹ Compensation benefits are, by legislation, indexed to the increase in the consumer price index (CPI) less 1 percent. WorkSafeBC aims for investment returns at an average rate of 3.5 percent above the CPI.

investments has produced an average accounting rate of return of 4.9 percent.

To protect against sudden changes to the funded ratio, WorkSafeBC has a policy of smoothing realized and unrealized capital gains and losses over a five-year period.¹ This practice, which is followed by all Canadian workers' compensation organizations, tends to reduce large swings in the funded ratio and employers' premiums, and helps WorkSafeBC stay within the target range. More detailed information on WorkSafeBC's financial strategy is provided in a separate section of this report, beginning on page 40.

Besides investment returns, the other source of income that funds the system is employer premium payments. To help ensure timely and accurate collection of employer premiums, WorkSafeBC works closely with employers to verify estimated payrolls, confirm amounts receivable, collect overdue accounts, and educate employers on their payment obligations and potential opportunities for savings. WorkSafeBC also investigates employers suspected of avoiding their premium payments, and may initiate proceedings that could result in administrative penalties or court-imposed sanctions.

To reduce claim costs, which account for approximately 97 percent of all liabilities against the accident fund, WorkSafeBC partners with workers, employers, industry associations, unions, and other key stakeholders to reduce the incidence of occupational injury, illness, disease, and death (see pages 20 to 22). And, when these unfortunate incidents do occur, WorkSafeBC aims to resolve claims in a safe and timely manner and return injured workers to lasting employment — both of which play a major role in reducing claim costs (see pages 22 to 24).

Looking ahead

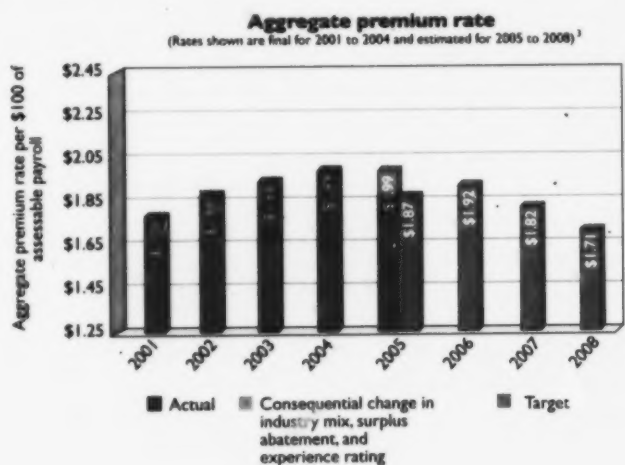
To maintain the funded ratio within its current range, WorkSafeBC will continue to focus on stable, reliable investment performance; the reduction of workplace injury, illness, disease, and death; and the safe and timely return to work of injured workers. However, the ratio of assets to liabilities is also influenced by a wide range of external factors that includes economic growth, interest rates, inflation, and severity of injuries.

Based on current data, WorkSafeBC's total assets, 93 percent of which are portfolio investments, are forecast to grow by approximately 5.5 percent in 2006. WorkSafeBC's total liabilities are forecast to grow by approximately 1 percent.

The accident fund funded ratio is forecast to reach 115 percent in 2006 — a 17 percent improvement over the 2002 funded ratio of 98 percent. If current trends continue as expected, WorkSafeBC is tentatively projecting a funded ratio of 117 percent for 2007, and 119 percent for 2008.

Key objective/performance indicator #9: Attain an aggregate premium rate between \$1.25 and \$2.25

Note: This measure reflects the overall financial impact of workers' compensation premiums on the assessable payroll of insured employers in British Columbia. The actual premium charged to an individual firm varies depending on its insurance rate group and experience rating. The aggregate premium rate shown here differs from the average base rate that is published each year at the time premium rates are established for the upcoming assessment year. The published base rate is a composite of all the individual industry base rates, published in the WorkSafeBC rate and classification list, averaged on the basis of long-term industry payroll growth rates. The aggregate premium rate differs from this published base rate in that it reflects the actual, rather than a projected, payroll mix by industry. Furthermore, the aggregate premium rate also differs from the base rate due to imbalances arising from the experience-rating plan and the abatement of pre-2000 surplus and interest to employers. This aggregate premium rate can be viewed as a "collection rate" in that it reflects the actual final premiums owed by employers for a particular assessment year, expressed as a percentage of the total assessable payroll.²



¹ WorkSafeBC uses the smoothed approach for funding decisions only; fair value accounting is applied for financial reporting purposes.

² In the past, this measure included reference to both the aggregate base premium rate and the actual collection rate. In the interest of simplifying the data presented, this measure now refers to only the actual collection rate.

³ Since WorkSafeBC's premiums are collected in arrears, the actual final collected amount resulting from the mix of industries and their relative payrolls for a given year cannot be determined until well into the following year. Therefore, the aggregate rate shown for 2004 and previous years reflects the actual final collected rate. The rate shown for 2005 and future years is estimated based on the anticipated mix of industries, assessable payrolls, known adjustments, and anticipated impacts of various strategies and initiatives. For more information, refer to the supplementary information at the end of this section (page 33).

Importance

WorkSafeBC collects premium payments from employers to cover the cost of operating the workers' compensation system. In exchange, employers are protected from lawsuits arising out of work-related injury, illness, disease, and death. The cost of premiums varies depending on the cost of claims in each industry sector and the value of WorkSafeBC's total assets, but overall, WorkSafeBC aims to maintain an aggregate premium rate between \$1.25 and \$2.25 per \$100 of assessable payroll. If the aggregate premium rate goes above \$2.25 it puts excessive financial strain on employers, and if it dips below \$1.25 it can weaken the long-term financial sustainability of the system (based on current financial conditions).

Setting targets

Across North America, premium rates average around \$2 per \$100 of assessable payroll and range from just over \$1 to more than \$5 per \$100 of assessable payroll. This variation is due to the mix of industries and benefit levels, as well as the funded status and coverage rules in specific jurisdictions. WorkSafeBC's target range of \$1.25 to \$2.25 is considered optimal in the present environment (including the present mix of industries), given the funded status range and premium levels in other jurisdictions. If the injury rate falls and injured workers are returned to work quickly, costs will drop — allowing premiums to decline as well.

In the past, the target premium rate range was \$1.75 to \$2.25. The 50 cent reduction in the lower limit of the target range reflects lower premium rates that could be achieved through WorkSafeBC's new targeted injury-rate reduction strategies (see page 21).

Performance highlights

In 2005, the estimated aggregate premium rate was \$1.99 per \$100 of assessable payroll, which was unchanged from the 2004 aggregate rate. The 2005 published premium rate indicated an expected 4.5 percent reduction from the 2004 average rate level. However, offsetting this reduction was a much lower level of pre-2000 surplus rebates being returned to employers in 2005 compared with previous years,¹ which had the effect of increasing the aggregate premium rate by about \$0.05 over the initial target of \$1.87. There was also an economic shift that saw relatively higher rates of growth in high-risk industry sectors, particularly construction, which had the effect of increasing the overall aggregate rate by another \$0.09.²

Although the aggregate rate of \$1.99 was slightly higher than expected, it reflects another year of rate stability in B.C. and remains among the lowest rates in Canada (see page 80 for more information).

Overall, approximately 56 percent of employers experienced a reduction in their base premium rates in 2005, 1 percent experienced no change, and 43 percent experienced an increase. Industries that saw their base rates go down significantly include hospitals, long-term care facilities, public school districts, universities, poultry processing plants, auto and aircraft assembly plants, auto dealerships, and financial institutions — each of which saw a 20 percent reduction or more. Industries that saw their base premium rates go up include logging, industrial construction, and shake and shingle mills.

Major programs and strategies

The aggregate premium rate is driven primarily by claim costs. To help reduce claim costs, WorkSafeBC works with employers, workers, and other key stakeholders to strengthen workplace health and safety and reduce the incidence of workplace injury, illness, disease, and death.

Some of the prevention activities undertaken by WorkSafeBC include educating and consulting workers and employers on key health and safety issues, forging partnerships with industry associations to reduce workplace injury and illness, and reaching out to high-risk industry sectors and groups such as young workers (see pages 20 to 22 for more information).

Preventing injury and illness is the first and best strategy for reducing claim costs, but when injuries do occur, the single biggest factor that affects claim cost is claim duration. WorkSafeBC has a variety of strategies and programs in place to reduce the duration of claims and return injured workers to employment in a safe and timely manner. Through the assistance of WorkSafeBC vocational rehabilitation consultants, employers, and training organizations, the majority of workers who are referred to WorkSafeBC's vocational rehabilitation program are successful in obtaining suitable new jobs (see page 24 for more information).

Like claim costs, the premium rate is also affected by WorkSafeBC's funded ratio, which is the value of WorkSafeBC's total assets divided by total liabilities. WorkSafeBC strives to maintain the funded ratio between 100 and 130 percent (see page 30) to keep employer premium rates within the target range.

¹ In 2000, a new employer classification system came into effect, which resulted in all employers starting out with a zero balance. Employers in the former sub-classes with a sub-class surplus have had their surpluses returned to them over a number of years through the pre-2000 surplus abatement program. This program has now largely wound down, as most of the pre-2000 surplus has been credited back to the employers, and future pre-2000 surplus rebates will be minimal.

² The increase in the aggregate rate due to change in industry mix and lower level of surplus abatement was partially offset by a higher than expected level of experience-rating discounts. Taken all together, these factors resulted in an aggregate rate that was about \$0.12 higher than the original estimate of \$1.87 (see the chart at the beginning of this section on page 31).

Looking ahead

In 2006, the estimated aggregate premium rate will decrease 3.5 percent from \$1.99 per \$100 of assessable payroll to \$1.92. The reduction reflects recent years' trends of stable injury rates and generally lower duration of injuries.

Base premium rates will decline for 55 percent of B.C.'s registered employers and remain level for 5 percent. Hospitals; long-term and short-term care facilities; and wharf, marine terminal, and stevedoring operations will all experience a 30 percent reduction in their base rates. Shipbuilding, universities, electric utilities, supermarkets, and industrial construction and trades will also see lower base rates. Forty percent of employers, including general retail, public school districts, general trucking (not including dump truck operators), department stores, telecommunication services, and gas utilities will see their base rates increase.

Further reductions will depend primarily on a lower injury rate, shorter duration of claims, and a higher return-to-work rate for injured workers, as well as external factors such as the performance of financial markets and the general mix of workers and businesses participating in B.C.'s growth.

Most future indicators are positive; however, recent trends such as the slight rise in the injury rate and larger rate of growth among high-risk industry sectors could put upward pressure on the premium rate if continued in future years. To mitigate these and other risks, WorkSafeBC will continue to refine and enhance its prevention initiatives, return-to-work programs, financial investment strategy, and other areas that either directly or indirectly influence premium rates. Taking all such factors into consideration, WorkSafeBC is tentatively forecasting aggregate premium rates of \$1.82 for 2007 and \$1.71 for 2008.

Supplementary information

In order to determine the aggregate premium rate for the current year, WorkSafeBC must estimate both the premiums and assessable payroll for the current year. The aggregate rate quoted is then determined as the premium estimate divided by the assessable payroll estimate, times 100. This premium estimate also enters into WorkSafeBC's financial statements as a major source of revenue in determining operating results for the current year.

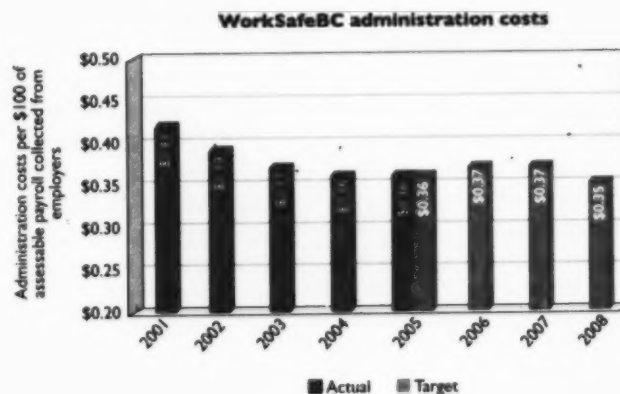
The final premiums and assessable payroll for the current year are not fully known until about May of the following calendar year. However, these values must be estimated based on the incomplete data available as of January of the following calendar year. The data used includes both revenues received

to date by WorkSafeBC and external measures of economic activity in the province of B.C. Due to the uncertainty inherent in this process, WorkSafeBC has historically taken a prudent financial approach and incorporated an element of conservatism in making these estimates. Any difference resulting from this estimate is recognized in the financial statements for the following calendar year. The quoted actual aggregate rate is also restated in the following calendar year's annual report.

The following table compares the aggregate rate (or "collection rate") originally estimated in the annual report for the indicated year with the final aggregate rate as determined in the subsequent calendar year:

	2001	2002	2003	2004
Estimated aggregate rate at year-end	\$1.77	\$1.83	\$1.92	\$1.96
Final aggregate rate	\$1.78	\$1.88	\$1.94	\$1.99
Difference (rate)	-\$0.01	-\$0.05	-\$0.02	-\$0.03
Difference (percent)	-0.6%	-2.7%	-1.0%	-1.5%

Key objective/performance indicator #10: Control administration costs (per \$100 of assessable payroll)¹



Importance

WorkSafeBC strives to provide value to its stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its effectiveness in this area is by calculating its annual administration costs per \$100

¹ There was a minor wording change to this indicator in 2005 to include the word "control" rather than "improve." This does not reflect a change to the measure itself but is simply intended to better reflect what the measure represents.

Looking ahead

In 2006, the estimated aggregate premium rate will decrease 3.5 percent from \$1.99 per \$100 of assessable payroll to \$1.92. The reduction reflects recent years' trends of stable injury rates and generally lower duration of injuries.

Base premium rates will decline for 55 percent of B.C.'s registered employers and remain level for 5 percent. Hospitals; long-term and short-term care facilities; and wharf, marine terminal, and stevedoring operations will all experience a 30 percent reduction in their base rates. Shipbuilding, universities, electric utilities, supermarkets, and industrial construction and trades will also see lower base rates. Forty percent of employers, including general retail, public school districts, general trucking not including dump truck operators, department stores, telecommunication services, and gas utilities will see their base rates increase.

Further reductions will depend primarily on a lower injury rate, shorter duration of claims, and a higher return-to-work rate for injured workers, as well as external factors such as the performance of financial markets and the general mix of workers and businesses participating in B.C.'s growth.

Most future indicators are positive; however, recent trends such as the slight rise in the injury rate and larger rate of growth among high-risk industry sectors could put upward pressure on the premium rate if continued in future years. To mitigate these and other risks, WorkSafeBC will continue to refine and enhance its prevention initiatives, return-to-work programs, financial investment strategy, and other areas that either directly or indirectly influence premium rates. Taking all such factors into consideration, WorkSafeBC is tentatively forecasting aggregate premium rates of \$1.92 for 2007 and \$1.96 for 2008.

Supplementary information

In order to determine the aggregate premium rate for the current year, WorkSafeBC must estimate both the premiums and assessable payroll for the current year. The aggregate rate quoted is then determined as the premium estimate divided by the assessable payroll estimate, times 100. This premium estimate also enters into WorkSafeBC's financial statements as a major source of revenue in determining operating results for the current year.

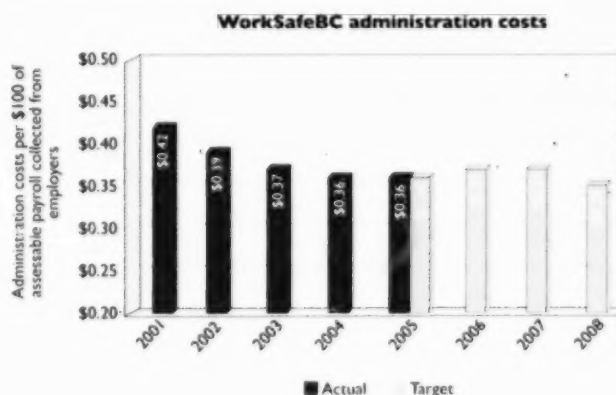
The final premiums and assessable payroll for the current year are not fully known until about May of the following calendar year. However, these values must be estimated based on the incomplete data available as of January of the following calendar year. The data used includes both revenues received

to date by WorkSafeBC and external measures of economic activity in the province of B.C. Due to the uncertainty inherent in this process, WorkSafeBC has historically taken a prudent financial approach and incorporated an element of conservatism in making these estimates. Any difference resulting from this estimate is recognized in the financial statements for the following calendar year. The quoted actual aggregate rate is also restated in the following calendar year's annual report.

The following table compares the aggregate rate or "collection rate" originally estimated in the annual report for the indicated year with the final aggregate rate as determined in the subsequent calendar year:

Estimated aggregate rate at year-end	\$1.77	\$1.83	\$1.92	\$1.96
Final aggregate rate	\$1.78	\$1.88	\$1.94	\$1.99
Difference (rate)	-\$0.01	-\$0.05	-\$0.02	-\$0.03
Difference (percent)	-0.6%	-2.7%	-1.0%	-1.5%

Key objective/performance indicator #10: Control administration costs (per \$100 of assessable payroll)¹



Importance

WorkSafeBC strives to provide value to its stakeholders by delivering the highest level of service in the most cost-effective manner. One way WorkSafeBC measures its effectiveness in this area is by calculating its annual administration costs per \$100

¹ There was a minor wording change to this indicator in 2005 to include the word "control" rather than "improve." This does not reflect a change to the measure itself but is simply intended to better reflect what the measure represents.

of assessable payroll collected from employers. These costs are one of the key statistical measures collected and reported on by other Canadian workers' compensation organizations (based on a common definition of administration costs, with adjustments made to allow for operating and legislative differences — see Appendix B for comparative information).¹ The measure allows WorkSafeBC to compare and monitor the overall cost of administering the workers' compensation system.

Setting targets

WorkSafeBC is committed to optimizing the cost-effectiveness of the services it delivers but recognizes that this does not always mean minimizing administration costs. For example, decreasing staff resources in Worker and Employer Services, the largest operating division of the organization, could lower administration costs but dramatically increase claim costs due to longer rehabilitation times and lower return-to-work outcomes for injured workers.

Since all workers' compensation organizations face similar challenges, this measure is designed to track WorkSafeBC's performance relative to the weighted average of other workers' compensation systems in Canada.

Performance highlights

WorkSafeBC's administration costs remained steady at \$0.36 per \$100 of assessable payroll in 2005, which was on target for the year. The rate had been declining steadily in recent years since reaching a high of \$0.42 per \$100 of assessable payroll in 2001.

Major programs and strategies

In 2005, WorkSafeBC undertook a number of initiatives to improve efficiency, streamline business processes, and reduce spending in several key areas. WorkSafeBC had originally budgeted for an increase of \$7 million in new spending to support a variety of new strategic initiatives, but the actual cost of these initiatives came in lower at about \$6 million. This, in part, helped offset increased administration cost pressures due to higher-than-expected claim volumes. In response to an increased workload, WorkSafeBC invested in additional resources and employees to maintain desired levels of service. Overall, administrative costs, as defined by the Association of Workers' Compensation Boards of Canada, rose by \$11 million, but assessable employer payroll rose by \$3 billion, which kept the result on target for the year.

Looking ahead

WorkSafeBC's Board of Directors has approved an increase to the organization's operating budget of \$19 million, or 6 percent, in 2006. The budget increase was necessary to cover non-discretionary increases (i.e., salary, price, and amortization cost increases) and service and new strategic initiatives.

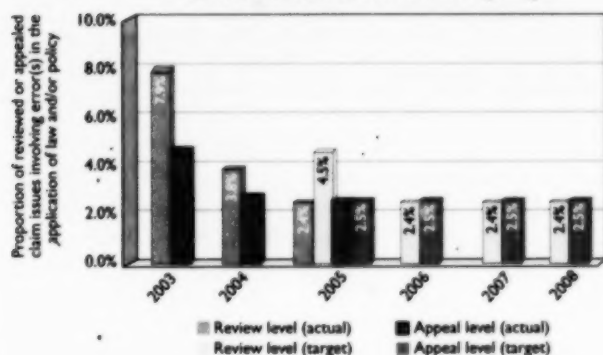
WorkSafeBC will be adding 115 full-time equivalent positions to achieve some very aggressive prevention objectives as well as further service, return-to-work, and duration improvements. WorkSafeBC's administration costs are temporarily expected to rise slightly to \$0.37 per \$100 of assessable payroll due to this significant investment.

In the last half of 2007, WorkSafeBC will roll out its new Claims Management Solutions program — an integrated, electronic-based system for handling claims that will improve service to stakeholders and streamline claim processes and systems in a cost-effective way (see page 83). The implementation of the Claims Management Solutions program will bring administrative efficiencies which will help to lower WorkSafeBC's operating costs starting in late 2007, with a full year's impact in 2008. As always, WorkSafeBC's Board of Directors and Senior Executive Committee will monitor and evaluate the balance between administration costs and service quality, and adjust that balance in order to best meet the needs of its stakeholders.

¹ In accordance with the standard AWCBC method of calculation, WorkSafeBC does not include administration costs associated with prevention, treasury/investments, legal and recoveries, third-party recoveries, grants and awards, reviews and appeals, workers' and employers' advisers, sessional doctors, external medical service providers, and costs related to self-insured employers. WorkSafeBC also excludes non-recurring one-time costs in order to keep results comparable with previous years. The largest material cost of these items is prevention costs, which were \$0.07 per \$100 of assessable payroll in 2005.

Key objective/performance indicator #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due
to WorkSafeBC error in law or policy*



*The Review Division and Workers' Compensation Appeal Tribunal (WCAT) both came into existence in March 2003, therefore the data for that year is only partial and there is no available data for years prior to 2003.

Importance

WorkSafeBC employees make thousands of decisions on compensation, prevention, assessment, and rehabilitation matters every working day. The underlying goal is to arrive at the "right" decision by weighing evidence in a consistent manner, ensuring compliance with applicable law and policy. However, since no law or policy can cover every possible situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

The vast majority of these decisions are accepted by all parties, but workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. There are two levels of appeal for most decisions made by WorkSafeBC. The first level is an internal review by WorkSafeBC's independent Review Division, which provides a timely and impartial second look to ensure disputed issues have been appropriately decided. The second level is an appeal to an independent external tribunal known as the Workers' Compensation Appeal Tribunal (WCAT), which serves as the final level of appeal for the WorkSafeBC matters it is authorized to hear and decide.

Both the Review Division and WCAT are important parts of the adjudicative process. Their findings provide an indicator of

the overall quality of WorkSafeBC's decisions and may highlight the need for policy reform, enhanced employee training, or further stakeholder education. With this in mind, WorkSafeBC tracks the number of issues at each level of review/appeal that led to overturned decisions due to error in WorkSafeBC's application of legislation and/or policy.

Setting targets

Issues decided by WorkSafeBC may be decided differently upon review or appeal by virtue of new information or a reweighing of existing information; this is part of the normal inquiry process and not necessarily indicative of erroneous decision making. Therefore, WorkSafeBC tracks the rate of error in the application of law and/or policy, which is the most objective measure of decision-making quality available.

While an error rate of zero is the ideal target, the current realities of staffing, claim complexity, claim volumes, training, timeliness, and coding precision limitations are barriers to meeting that objective. Therefore, the practical range, given current workloads and required timelines for review and appeal decision making, has been set between 2.0 and 3.0 percent for primary WorkSafeBC decisions being reviewed at the Review Division level and Review Division decisions being appealed at the WCAT level. These targets are reviewed annually and adjusted to reflect the factors listed above.

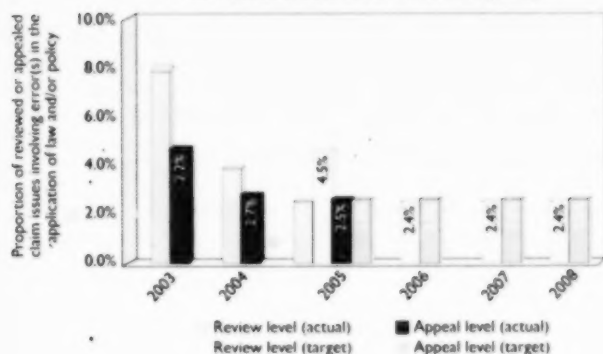
Performance highlights

In 2005, the Review Division reviewed a total of 13,247 issues, relating to 11,011 WorkSafeBC decisions. Three hundred and fifteen of those issues (2.4 percent) led to overturned decisions due to a perceived error in WorkSafeBC's application of legislation or policy, which was better than the target for the year. The WCAT ruled on 5,334 issues relating to 4,163 completed appeals of Review Division decisions. One hundred and thirty-five of those issues (2.5 percent) led to overturned decisions due to a perceived error in legislation and/or policy, which was just off the target of being under 2.5 percent for the year.

To put these results in context, 71.3 percent of the issues reviewed by the Review Division in 2005 were denied (original decision upheld), 19.8 percent were allowed or allowed in part (decision overturned), and 8.9 percent were returned to WorkSafeBC (sent back to the initial decision-making division for further determination on the issue). Of the issues allowed or allowed in part (leading to overturned decisions), 10.8 percent were due to reweighing existing evidence, 6.7 percent were due

Key objective/performance indicator #11: Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Claim issues leading to overturned decisions due
to WorkSafeBC error in law or policy*



*The Review Division and Workers' Compensation Appeal Tribunal (WCAT) both came into existence in March 2003, therefore the data for that year is only partial and there is no available data for years prior to 2003.

Importance

WorkSafeBC employees make thousands of decisions on compensation, prevention, assessment, and rehabilitation matters every working day. The underlying goal is to arrive at the "right" decision by weighing evidence in a consistent manner, ensuring compliance with applicable law and policy. However, since no law or policy can cover every possible situation, each issue must be decided on its own merits, within the parameters of applicable law and policy.

The vast majority of these decisions are accepted by all parties, but workers and employers have the right to appeal decisions if they disagree with WorkSafeBC's findings. There are two levels of appeal for most decisions made by WorkSafeBC. The first level is an internal review by WorkSafeBC's independent Review Division, which provides a timely and impartial second look to ensure disputed issues have been appropriately decided. The second level is an appeal to an independent external tribunal known as the Workers' Compensation Appeal Tribunal (WCAT), which serves as the final level of appeal for the WorkSafeBC matters it is authorized to hear and decide.

Both the Review Division and WCAT are important parts of the adjudicative process. Their findings provide an indicator of

the overall quality of WorkSafeBC's decisions and may highlight the need for policy reform, enhanced employee training, or further stakeholder education. With this in mind, WorkSafeBC tracks the number of issues at each level of review/appeal that led to overturned decisions due to error in WorkSafeBC's application of legislation and/or policy.

Setting targets

Issues decided by WorkSafeBC may be decided differently upon review or appeal by virtue of new information or a reweighing of existing information; this is part of the normal inquiry process and not necessarily indicative of erroneous decision making. Therefore, WorkSafeBC tracks the rate of error in the application of law and/or policy, which is the most objective measure of decision-making quality available.

While an error rate of zero is the ideal target, the current realities of staffing, claim complexity, claim volumes, training, timeliness, and coding precision limitations are barriers to meeting that objective. Therefore, the practical range, given current workloads and required timelines for review and appeal decision making, has been set between 2.0 and 3.0 percent for primary WorkSafeBC decisions being reviewed at the Review Division level and Review Division decisions being appealed at the WCAT level. These targets are reviewed annually and adjusted to reflect the factors listed above.

Performance highlights

In 2005, the Review Division reviewed a total of 13,217 issues, relating to 11,011 WorkSafeBC decisions. Three hundred and fifteen of those issues (2.4 percent) led to overturned decisions due to a perceived error in WorkSafeBC's application of legislation or policy, which was better than the target for the year. The WCAT ruled on 5,334 issues relating to 4,163 completed appeals of Review Division decisions. One hundred and thirty-five of those issues (2.5 percent) led to overturned decisions due to a perceived error in legislation and/or policy, which was just off the target of being under 2.5 percent for the year.

To put these results in context, 71.3 percent of the issues reviewed by the Review Division in 2005 were denied (original decision upheld), 19.8 percent were allowed or allowed in part (decision overturned), and 8.9 percent were returned to WorkSafeBC (sent back to the initial decision-making division for further determination on the issue). Of the issues allowed or allowed in part (leading to overturned decisions), 10.3 percent were due to reweighing existing evidence, 6.7 percent were due

to reweighing with new evidence, and 2.4 percent were due to error in law and/or policy.

Of the appeals completed by the WCAT in 2005, 69.7 percent of issues were denied (decision upheld) and 30.3 percent of issues were allowed or allowed in part (decision overturned). Of the issues allowed or allowed in part, 19.9 percent were

due to reweighing with new evidence, 7.9 percent were due to reweighing existing evidence, and 2.5 percent were due to an error in law and/or policy.

The following tables provide additional information on the outcomes of the top five groups of issues most often reviewed or appealed in 2005.¹

Review Division — Outcomes of top five issue groups reviewed in 2005

Issue group*	Original decision upheld	Review allowed or allowed in part due to error in law	Review allowed or allowed in part due to error in policy	Review allowed or allowed in part due to reweighing of existing evidence	Review allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,359	4	30	278	242
Entitlement to a permanent disability award	1,494	12	25	234	53
Acceptance of a claim for an occupational disease	1,015	2	1	50	64
Entitlement to compensation for a temporary total disability	684	7	25	123	85
Reopening a claim	800	7	5	44	33

* Issue groups have been restated in "plain language" terms.

WCAT — Outcomes of top five issue groups appealed in 2005

Issue group*	Original decision upheld	Appeal allowed or allowed in part due to error in law	Appeal allowed or allowed in part due to error in policy	Appeal allowed or allowed in part due to reweighing of existing evidence	Appeal allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	955	2	4	97	285
Entitlement to a permanent disability award	613	10	14	93	284
Acceptance of a claim for an occupational disease	380	2	2	26	119
Entitlement to compensation for a temporary total disability	386	3	3	40	85
Reopening a claim	337	8	2	20	52

* Issue groups have been restated in "plain language" terms.

¹ Issues decided at the Review and WCAT levels are generally categorized into larger groups related to specific sections of the *Workers Compensation Act*.

to reweighing with new evidence, and 2.4 percent were due to error in law and/or policy.

Of the appeals completed by the WCAT in 2005, 69.7 percent of issues were denied (decision upheld) and 30.3 percent of issues were allowed or allowed in part (decision overturned). Of the issues allowed or allowed in part, 19.9 percent were

due to reweighing with new evidence, 7.9 percent were due to reweighing existing evidence, and 2.5 percent were due to an error in law and/or policy.

The following tables provide additional information on the outcomes of the top five groups of issues most often reviewed or appealed in 2005.¹

Review Division — Outcomes of top five issue groups reviewed in 2005

Issue group*	Original decision upheld	Review allowed or allowed in part due to error in law	Review allowed or allowed in part due to error in policy	Review allowed or allowed in part due to reweighing of existing evidence	Review allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	2,359	4	30	278	242
Entitlement to a permanent disability award	1,494	12	25	234	53
Acceptance of a claim for an occupational disease	1,015	2	1	50	64
Entitlement to compensation for a temporary total disability	684	7	25	123	85
Reopening a claim	800	7	5	44	33

* Issue groups have been restated in "plain language" terms.

WCAT — Outcomes of top five issue groups appealed in 2005

Issue group*	Original decision upheld	Appeal allowed or allowed in part due to error in law	Appeal allowed or allowed in part due to error in policy	Appeal allowed or allowed in part due to reweighing of existing evidence	Appeal allowed or allowed in part due to reweighing with new evidence
Acceptance of a claim for an injury	955	2	4	97	285
Entitlement to a permanent disability award	613	10	14	93	284
Acceptance of a claim for an occupational disease	380	2	2	26	119
Entitlement to compensation for a temporary total disability	386	3	3	40	85
Reopening a claim	337	8	2	20	52

* Issue groups have been restated in "plain language" terms.

¹ Issues decided at the Review and WCAT levels are generally categorized into larger groups related to specific sections of the *Workers Compensation Act*.

Major programs and strategies

To ensure that decisions made under the *Workers Compensation Act* are consistent with appropriate legislation, regulation, and policy, WorkSafeBC undertakes a variety of training, coaching, and mentoring programs aimed at educating decision makers on appropriate methods of evidence gathering, weighing of evidence, decision making, and documentation.

WorkSafeBC also operates senior-level quality councils for compensation, prevention, and assessment decision making. The councils, which include representatives from various areas of WorkSafeBC as well as members of the WCAT, review ongoing quality issues and develop recommendations for change. To complement this strategy, WorkSafeBC also maintains working-level quality teams, with organization-wide representation, to help identify day-to-day quality concerns and develop and implement immediate and long-term solutions.

In 2005, WorkSafeBC's Review Division introduced a new Quality Decision Review Program to address the quality of its decision making, including ensuring the correct application of law and policy. As part of the program, review officers examine each others' draft decisions to provide constructive feedback and enhance quality and consistency/predictability — before final decisions are released. Team managers and a quality assurance group also review selected decisions, either before or after they are issued, to help facilitate high-quality adjudication and improve the quality and the consistency/predictability of Review Division decisions as a whole.

In addition to these and other quality-enhancing initiatives, WorkSafeBC has begun developing a new claim management system (see page 83). While primarily aimed at improving the timeliness and efficiency of work, the new system will, over time, also assist with the quality and consistency of decision making across all levels of the organization.

Looking ahead

For primary decisions being reviewed at the Review Division level, WorkSafeBC is aiming to keep the decision overturn rate due to errors in the application of legislation and/or policy at or below 2.4 percent for the next three years. For Review Division decisions being appealed at the WCAT level, the target is to keep the rate at or below 2.5 percent for the same period. Both targets are considered near to optimal if current trends continue as expected.

Unanticipated spikes in claim and review volumes could put increased pressure on WorkSafeBC decision makers, thereby introducing additional errors in the application of law and policy. However, ongoing training and quality-enhancing initiatives should mitigate this risk. In addition, WorkSafeBC will continue to monitor claim and review volumes and add additional resources where necessary to match organizational capacity with workload demands.

Young Workers



**“I thought I was going to have to
watch myself die.”**

— Michael Lovett, injured worker

Michael Lovett was 19 years old when he lost his leg in a sawmill accident. While working alone one night, his boot got caught in the mill's conveyor. He watched, helplessly, as the conveyor's roll to the right sucked his leg into the machine, dragging his entire body into its path. He prayed that he would pass out before the rollers reached his skull.

Miraculously, Michael survived. And while his life is forever changed, today he carries his powerful safety message to high schools — retelling his story with the hope that he can help prevent another young worker from suffering the same fate.

But for some, it's already too late. In 2005, 11 workers between the ages of 15 and 24 lost their lives on the job. Others, like Michael, were spared their lives but suffered unspeakable emotional and physical wounds.

Last year, 10,377 young workers suffered a wage-loss injury on the job, which means 11 young workers were injured every day

and six were permanently disabled each week. The sectors with the highest number of injuries were manufacturing, hospitality, retail, and construction.

The death of or injury to a single one of these young workers is one too many. That's why WorkSafeBC is urging all workplace parties to renew their commitment to the safety of young workers. For its part, WorkSafeBC has formed partnerships with training institutes, educators, employers, workers, unions, and health and safety associations in industries where young worker claims are the highest. Province-wide public awareness and educational campaigns, a speakers' bureau, and new safety resources are also planned for 2006, to help foster young worker safety across B.C.

Keeping young people safe at work is a shared responsibility and our single most important mission. Our children deserve nothing less.

Our Finances

Management Discussion and Analysis

Important background

Effective in 2004, the Canadian Accounting Standards Board introduced major changes to accounting guidelines for portfolio investments, which are contained in section 3855 of the Canadian Institute of Chartered Accountants (CICA) handbook. These guidelines, referred to as generally accepted accounting principles (GAAP), changed as a result of harmonization between Canadian accounting rules and international accounting standards.

Prior to 2004, all Canadian workers' compensation boards followed an industry-specific accounting practice that valued their investment portfolios using the amortized cost method for fixed-income instruments and the deferral and amortization method for all realized and unrealized market gains and losses on other financial instruments over a five-year period (the smoothed accounting method). The smoothed accounting

method had the effect of deferring, and hence smoothing, the recognition of market value gains and losses into future periods, thus avoiding volatility in operating results and financial position.

In 2004, the CICA ceased to allow the use of industry-specific accounting practices and, at the same time, prescribed specific GAAP rules, under CICA section 3855, calling for portfolio investments to be recorded at fair value at balance sheet date. (Fair value for publicly traded investments is defined in the CICA guidelines as their current market price.) The change in accounting guidelines was applied prospectively, so restatement of prior years' results was not required or permitted.

The 2005 results reported here follow the GAAP rules first applied in 2004. WorkSafeBC follows prescribed disclosure procedures for accounting for portfolio investments that are "available for sale" (see footnote 2 on page 54). All realized

gains and losses from portfolio investment transactions are recorded in normal operating income. Unrealized market gains and losses¹ are recorded as "other comprehensive income" below the operating results line.

Important difference between financial statements and funding policy

WorkSafeBC has a funding policy that is based on the smoothed accounting method. This funding policy underlies the premium rate-setting methodology and is intended to ensure that financial market volatility does not translate into undue premium rate volatility for the employers of British Columbia.

WorkSafeBC is required by legislation to maintain an accident fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current and previous years. These liabilities may be payable in the year of injury and many years beyond. For example, a worker who suffered an injury in 2002 may still require financial assistance to cover medical costs and lost wages in present and future years. To maintain a "fully funded" accident fund, WorkSafeBC assesses and collects employer premiums and invests those funds to cover

the current and future costs of compensation benefits and the costs of administering the workers' compensation system.² The average expected future payout on claims is 20 years. Currently, the actuarial duration of discounted liabilities for all existing injuries averages 12 years. Such a long business cycle requires investment strategies that are long term in nature, with the result that short-term fiscal changes in market value of investments are not the primary focus of WorkSafeBC's investment strategy.

While applying GAAP rules for the purpose of disclosing financial statements, WorkSafeBC's funding policy continues to use the smoothed accounting method to determine the funding level of the accident fund and its rate groups. This policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations. The Board of Directors has established a target funded-ratio range of 100 percent to 130 percent, on a smoothed basis.

At the end of 2005, WorkSafeBC's funded ratio was 109 percent smoothed (125 percent measured in fair market value).

Comparing smoothed to fair value operating results

(\$ millions)	Financial reporting		Funding policy	
	2005 fair value	2004 fair value ³	2005 smoothed method	2004 smoothed method ³
Operating surplus	474	303	464	346
Other comprehensive income	493	806	—	—
Total comprehensive income	967	1,109	—	—
Fund balance				
Unappropriated balance	690	396	379	94
Reserves	440	260	440	260
Accumulated other comprehensive income	1,107	614	—	—
	2,237	1,270	819	354
Off balance sheet deferred-gain	—	—	1,210	750
Funding level	125%	115%	109%	104%

1 Except for those from "held for trading" investments. See footnote 1 on page 54 for more information.

2 For the accident fund to be "fully funded," the value of all WorkSafeBC assets must be sufficient to meet the present value of all liabilities arising from all accepted injury claims regardless of the year in which they occurred.

3 The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

gains and losses from portfolio investment transactions are recorded in normal operating income. Unrealized market gains and losses¹ are recorded as "other comprehensive income" below the operating results line.

Important difference between financial statements and funding policy

WorkSafeBC has a funding policy that is based on the smoothed accounting method. This funding policy underlies the premium rate-setting methodology and is intended to ensure that financial market volatility does not translate into undue premium rate volatility for the employers of British Columbia.

WorkSafeBC is required by legislation to maintain an accident fund sufficient to meet all present and future costs (liabilities) for injuries arising in the current and previous years. These liabilities may be payable in the year of injury and many years beyond. For example, a worker who suffered an injury in 2002 may still require financial assistance to cover medical costs and lost wages in present and future years. To maintain a "fully funded" accident fund, WorkSafeBC assesses and collects employer premiums and invests those funds to cover

the current and future costs of compensation benefits and the costs of administering the workers' compensation system.² The average expected future payout on claims is 20 years. Currently, the actuarial duration of discounted liabilities for all existing injuries averages 12 years. Such a long business cycle requires investment strategies that are long term in nature, with the result that short-term fiscal changes in market value of investments are not the primary focus of WorkSafeBC's investment strategy.

While applying GAAP rules for the purpose of disclosing financial statements, WorkSafeBC's funding policy continues to use the smoothed accounting method to determine the funding level of the accident fund and its rate groups. This policy helps WorkSafeBC avoid premium rate volatility caused by short-term financial market fluctuations. The Board of Directors has established a target funded-ratio range of 100 percent to 130 percent, on a smoothed basis.

At the end of 2005, WorkSafeBC's funded ratio was 109 percent smoothed (125 percent measured in fair market value).

Comparing smoothed to fair value operating results

(\$ millions)	Financial reporting		Funding policy	
	2005 fair value	2004 fair value ³	2005 smoothed method	2004 smoothed method ³
Operating surplus	474	303	464	346
Other comprehensive income	493	806	—	—
Total comprehensive income	967	1,109	—	—
Fund balance				
Unappropriated balance	690	396	379	94
Reserves	440	260	440	260
Accumulated other comprehensive income	1,107	614	—	—
	2,237	1,270	819	354
Off balance sheet deferred-gain	—	—	1,210	750
Funding level	125%	115%	109%	104%

1 Except for those from "held for trading" investments. See footnote 1 on page 54 for more information.

2 For the accident fund to be "fully funded," the value of all WorkSafeBC assets must be sufficient to meet the present value of all liabilities arising from all accepted injury claims regardless of the year in which they occurred.

3 The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

Overview of financial results

In 2005, WorkSafeBC recorded a surplus from normal operations of \$474 million which, together with the inclusion of other comprehensive income of \$493 million, resulted in total comprehensive income of \$967 million for the year. This was a decrease of \$142 million over 2004.

Normal operating surplus was \$171 million higher than in 2004, primarily due to higher premium and realized investment incomes. Income rose \$218 million or 13.2 percent while expenses increased \$47 million or 3.5 percent. Other com-

prehensive income decreased \$313 million or 38.8 percent, primarily as a result of a one-time prior-period adjustment that reclassified \$406 million from opening accumulated other comprehensive income to 2004 comprehensive income to better reflect the impact of the provision for market impairment previously set up for these investments. This prior-period adjustment had no net impact on the accumulated other comprehensive income ending in 2004 (see the table on page 60) and no impact on premium rate setting. If not for this non-recurring adjustment, the 2005 comprehensive income would have been \$93 million higher than in 2004.

2005 and 2004 financial highlights

(\$ millions)	2005	2004 ¹	Increase (Decrease) in result	Increase (Decrease) % change
Normal operations				
Income	1,872	1,654	218	13.2%
Expense	(1,398)	(1,351)	(47)	(3.5%)
Surplus from normal operations	474	303	171	56.4%
Other comprehensive income	493	806	(313)	(38.8%)
Total comprehensive income	967	1,109	(142)	(12.8%)
Fund balance				
— at beginning of year	396	(252)	648	257.1%
Unrecognized net realized gain from prior years	—	318	(318)	—
Unrecognized net unrealized gains on held-for-trading investments from prior years	—	75	(75)	—
Reclassification of net unrealized gains included in the opening balance of accumulated other comprehensive income	—	(48)	48	—
Adjusted fund balance at beginning of year	396	93	303	325.8%
Surplus from normal operations for the year	474	303	171	56.4%
Transfer to reserve	(180)	—	(180)	(100.0%)
Fund balance at end of year	690	396	294	74.2%
Accumulated other comprehensive income (AOCI)				
at beginning of year	614	—	614	—
Unrecognized net unrealized gains on available-for-sale investments from prior years	—	(192)	192	—
Adjusted AOCI at beginning of year	614	(192)	806	419.8%
Other comprehensive income for the year	493	806	(313)	(38.8%)
Accumulated other comprehensive income (AOCI) at end of year	1,107	614	493	80.3%

¹ The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

Overview of financial results

In 2005, WorkSafeBC recorded a surplus from normal operations of \$474 million which, together with the inclusion of other comprehensive income of \$493 million, resulted in total comprehensive income of \$967 million for the year. This was a decrease of \$142 million over 2004.

Normal operating surplus was \$171 million higher than in 2004, primarily due to higher premium and realized investment incomes. Income rose \$218 million or 13.2 percent while expenses increased \$47 million or 3.5 percent. Other com-

prehensive income decreased \$313 million or 38.8 percent, primarily as a result of a one-time prior-period adjustment that reclassified \$406 million from opening accumulated other comprehensive income to 2004 comprehensive income to better reflect the impact of the provision for market impairment previously set up for these investments. This prior-period adjustment had no net impact on the accumulated other comprehensive income ending in 2004 (see the table on page 60) and no impact on premium rate setting. If not for this non-recurring adjustment, the 2005 comprehensive income would have been \$93 million higher than in 2004.

2005 and 2004 financial highlights

(\$ millions)	2005	2004 ¹	Increase (Decrease) in result	Increase (Decrease) % change
Normal operations				
Income	1,872	1,654	218	13.2%
Expense	(1,398)	(1,351)	(47)	(3.5%)
Surplus from normal operations	474	303	171	56.4%
Other comprehensive income	493	806	(313)	(38.8%)
Total comprehensive income	967	1,109	(142)	(12.8%)
Fund balance				
Fund balance — at beginning of year	396	(252)	648	257.1%
Unrecognized net realized gain from prior years	—	318	(318)	—
Unrecognized net unrealized gains on held-for-trading investments from prior years	—	75	(75)	—
Reclassification of net unrealized gains included in the opening balance of accumulated other comprehensive income	—	(48)	48	—
Adjusted fund balance at beginning of year	396	93	303	325.8%
Surplus from normal operations for the year	474	303	171	56.4%
Transfer to reserve	(180)	—	(180)	(100.0%)
Fund balance at end of year	690	396	294	74.2%
Accumulated other comprehensive income (AOCI)				
at beginning of year	614	—	614	—
Unrecognized net unrealized gains on available-for-sale investments from prior years	—	(192)	192	—
Adjusted AOCI at beginning of year	614	(192)	806	419.8%
Other comprehensive income for the year	493	806	(313)	(38.8%)
Accumulated other comprehensive income (AOCI) at end of year	1,107	614	493	80.3%

¹ The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

Key financial drivers

There are four key drivers of WorkSafeBC's financial performance: employment and injury rate, short-term claim duration, the inflation rate, and investment returns. Each driver operates independently to influence overall financial performance.

Employment and injury rate

By definition, work-related injuries arise from employment. Growth in British Columbia's employment base and changes to the provincial injury rate are the primary drivers of WorkSafeBC's business operations and the key determinants of the premium rates that employers pay. Over the past 10 years, annual employment growth in B.C. averaged 2.4 percent while the volume of claims declined an average of 2.1 percent per year, resulting in sustained reductions to the injury rate. However, following more than 10 years of consecutive decline, B.C.'s average injury rate increased slightly in 2004 and 2005 (see page 20). As a result of this change in trend, WorkSafeBC has committed additional resources to build a comprehensive injury-prevention program designed to bring the overall injury rate down by 15 percent in key industry sectors by 2010. Each 1 percent reduction in the overall injury rate saves the system approximately \$9 million, and results in an approximate 1 percent decrease in the annual premium rate.

Short-term claim duration

Short-term claim duration is the average length, in days, of short-term disability benefits paid to injured workers. It is a key component of overall claim costs and reflects the efficiency of WorkSafeBC's claim management systems and processes, the severity of injuries experienced, and the speed of rehabilitation and return to work of injured workers. The higher the average duration, the greater the total future claim costs for the system and vice versa. In fact, each day of average short-term claim duration currently costs the system approximately \$5 million in annual short-term disability payments alone.

Following a reduction in staffing levels in 2003, WorkSafeBC experienced an increase in duration in 2004 as the provincial economy grew and claim volumes increased. Management reacted in mid-2005 by refining business processes — particularly in the most challenged areas — and by increasing staffing levels for claim processing and claim management. As a result, duration was lowered to 47.3 days in 2005, ahead of the target of 47.7 days for the year (see page 22).

Inflation rate

The inflation rate, or Canadian consumer price index (CPI), is a major cost driver because WorkSafeBC's future short-term disability, long-term disability, and survivors' benefits are indexed annually against the increase in the October CPI. Every 1 percent increase in inflation costs the system approximately \$45 million.

Following changes to legislation in 2002, benefits indexed to inflation were changed from full indexing applied semi-annually to annual indexing at CPI minus 1 percent, with a maximum of 4 percent and a guarantee of no decrease if CPI should fall below 1 percent. This change brought British Columbia's workers' compensation benefit levels more in line with the other provinces.

The October year-over-year CPI rate for the past 10 years has ranged from a low of 1 percent in 1998 to a high of 3.2 percent in 2002. The CPI adjustment applied for 2005 was 1.6 percent (2.6 percent less 1 percent), in line with expectations. Looking forward, WorkSafeBC's exposure to CPI risk is expected to remain in a manageable range.

Investment returns

WorkSafeBC follows a full funding approach by collecting premiums to cover the entire present and expected future costs of injuries incurred in a given year.¹ The premiums collected are invested to produce an expected long-term average benchmark real return of 3.5 percent over and above the CPI. In 2005, the required investment rate of return was 3.5 percent plus the CPI amount of 2.6 percent, for a total of 6.1 percent.

WorkSafeBC's investment returns for the past 10 years have averaged 8.3 percent compared with an average required return of 5.5 percent, which represents an average out-performance of 2.8 percent per year. The performance of WorkSafeBC's investment portfolio has significantly improved the financial condition of the organization. Based on the investment portfolio's market value at December 31, 2005, each 1 percent of investment return over or under the required return of CPI plus 3.5 percent translates to an excess or shortfall of approximately \$100 million.

Revenues

WorkSafeBC has two primary sources of revenue: premium income and investment income.

Premium income totalled \$1,240 million in 2005, an increase of \$65 million over 2004. This increase consisted of the following:

¹ These costs include wage-loss benefits, survivor benefits, health care expenses, and vocational rehabilitation costs, as well as a provision for the administration cost of future claims (required to adjudicate and process future payments). These liabilities are actuarially calculated by applying a net discount rate of 3.5 percent (net of CPI) to produce a present value of estimated future benefit payments. The liability is thus increased each year by 3.5 percent plus CPI, and so in 2005 the liabilities of WorkSafeBC increased by 3.5 percent plus 2.6 percent, for a total of 6.1 percent (before other adjustments).

1. \$22 million or 1.2 percent of 2004 premiums was received by WorkSafeBC in 2005 subsequent to closing for the year, over and above the amount that was accrued in 2004. (Premium receipts can vary after reporting primarily due to the fact that B.C. employers are not required to fully pay their premiums until after year-end; as a result, a sizeable portion of the amount receivable at year-end is estimated.)
2. When adjusted to reflect the correct apportionment of premium incomes in their respective years, 2005 premiums were estimated to remain unchanged from 2004; the 5.2 percent decrease in premium rate in 2005 compared with 2004 is offset by a 5.2 percent increase in the 2005 assessable payroll, reflecting the growth in the B.C. economy.
3. \$48 million less in pre-2000 subclass surplus balance and interest was credited in 2005 compared with 2004. The distribution of pre-2000 subclass surplus balances to eligible employers ended in 2004, except for a few remaining employers who will continue to receive credits until 2009. (For more information about the subclass surplus, see footnote 1 on page 66.)
4. Other adjustments to the 2005 premium income relating to prior years' premiums, including write-offs, were also \$10 million favourable compared with 2004.
5. Offsetting these increases in the 2005 premium income were a \$10-million decrease in assessments for self-insured employers and a \$5-million decrease in employer-funded injury-reduction initiatives (the latter amount offset by a corresponding decrease in operating expenses, see page 46).

In 2005, WorkSafeBC's investment income was \$632 million, which was \$153 million higher than in 2004. Since the adoption of new GAAP rules in 2004, the investment income category now reflects income realized in the year, including the effect of currency hedges.

For many years, WorkSafeBC had invested directly in fixed-income instruments through its internal treasury department and indirectly in publicly traded equities, real estate, mortgages, and private placements, through the British Columbia Investment Management Corporation (bcIMC). The Board of Directors has appointed an Investment Committee consisting of three independent external voting members and two internal voting members (the President and Chief Executive Officer and the Chief Financial Officer) to carry out the investment directions of the Board of Directors. In 2005, the committee and Board made the decision to cease in-house direct investment activities. The internally managed portfolio of fixed-income instruments was sold and reinvested in or transferred to bcIMC, which began managing the portfolio effective December 31, 2005.

The financial impact of this decision was the recognition of a \$52-million realized gain for WorkSafeBC due to the sale of individually-held investments and the purchase of bcIMC pooled fund investments. This is effectively a timing change, recognizing this gain sooner than might otherwise have been the case. The change also reduced inherent risks, as WorkSafeBC no longer depends on a very small group of highly skilled and mobile investment traders within a competitive and relatively small job market.

The investment environment was favourable in 2005 despite high energy prices, rising short-term interest rates, and a strong Canadian dollar. While the performance of the bond markets was only modest, the equity markets, particularly the TSX, delivered good returns. As a result, the total 2005 market return on the portfolio of investments was 12.5 percent versus 10.3 percent for 2004. The 2005 results also exceeded WorkSafeBC's policy return benchmark of 10.9 percent for the year. (Net investment income was \$632 million, representing a \$153 million or 31.9 percent increase over the amount recorded for 2004.)

Investment income in 2005 compared with 2004 is analysed in the table on page 45.

1. Included in the \$140 million 2005 realized net gains from the sale of fixed-income instruments was a non-recurring gain of \$52 million from the sale of internally managed individual fixed-income investments, which were sold at year-end when WorkSafeBC ceased in-house investment activities, but then immediately reinvested in corresponding bcIMC pooled fund holdings.
2. Included in the net gains on sale of other instruments were net accumulated gains and losses realized from trading activities within the various pooled funds, as well as gains and losses realized from the sale of units of pooled fund investments. Net accumulated gains from trading activities within the various pooled funds totalled \$187 million in 2005 compared with \$133 million in 2004, an increase of \$54 million. Realized gains from the sale of units of equity pooled fund products totalled \$33 million in 2005, which was \$70 million better than the \$37 million loss realized from sale transactions that occurred in 2004.
3. Gains realized from the sale of derivative instruments, which consisted of U.S.- and Euro-denominated forward exchange contracts, were \$33 million lower in 2005 compared with 2004. Unrealized net losses on held-for-trading investments, which consisted solely of derivative instruments, were \$20 million unfavourable in 2005 compared with 2004. The lower realized gains and higher unrealized loss were due

Investment income

(\$ millions)	2005	2004 ¹	Increase (Decrease)
Coupon and dividend income	274	275	(1)
Realized net gains on sale of fixed-income instruments	140	57	83
Realized net gains on sale of other instruments	220	96	124
Realized net gains on sale of derivative instruments	51	84	(33)
Unrealized net gains on held-for-trading investments	(53)	(33)	(20)
	632	479	153

primarily to a lower hedge ratio for U.S. dollar denominated assets, and a smaller decline in the value of the U.S. dollar versus the Canadian currency. It is important to understand, however, that these apparent gains/losses reflect only one side of the currency hedging transaction, and were more than offset by unrealized market value changes in foreign currency denominated investments, which were included in comprehensive income. (As prescribed in the CICA handbook, WorkSafeBC has the option of either using or not using hedge accounting for derivatives. It has elected not to adopt hedge accounting because of the relative complexity of the accounting requirements as compared with the materiality of our investments in these instruments.)

Expenses

Wage-loss claims rose again in 2005 as the economy continued to grow — particularly in industries with higher rates of injury.

Claim costs

WorkSafeBC's claim costs comprise three primary elements:

1. The cost of current-year claims, including both the amounts paid in the year and actuarially determined estimates of future costs of these claims
2. The cost of indexation related to wage and CPI increases
3. Adjustments to actuarially determined estimates of future claim costs for prior-period claims

1. Current-year claims

Current-year claim costs increased \$38 million or 4.3 percent over 2004. The average cost per claim decreased by 0.9 percent, reflecting lower claim duration and lower current-year short-term disability and vocational rehabilitation liabilities. But the

volume of claims increased by 4.9 percent, which resulted in higher overall claim costs. WorkSafeBC has made significant commitments to lower the injury rate and reduce average short-term claim duration over the coming years, which will help reduce the frequency and severity of injuries, lower claim costs, improve return-to-work outcomes, and avoid upward pressure on the premium rate.

2. Indexation related to wage and CPI increases

In 2005, the cost of indexation totalled \$498 million, an increase of \$37 million over 2004. The primary determinant of indexation costs is the level of the CPI, which increased from 2.3 percent in 2004 to 2.6 percent in 2005.

3. Adjustments to actuarial estimates for prior-period claims

Changes in the pattern of claim costs experienced currently can increase or decrease the likely costs of claims arising from past years' claims. Increases in the cost of medical treatment or longer life expectancy among those with permanent disabilities, for example, can increase the claim liabilities for past years' claims. Other changes, such as an improved pattern of rehabilitation and return-to-work outcomes, reduce prior-year claim liabilities.

The favourable prior-period claims adjustment of \$164 million was primarily a result of actuarial gains on the unfinalled claim liability for long-term disability, vocational rehabilitation, and, to a lesser extent, short-term disability. About three-quarters of this \$164-million gain was generated as a result of the decline in the most recent five-year average cost experience used to set the liabilities. This decline resulted from higher costs in 2000 being replaced by relatively lower 2005 costs as part of

¹ The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

Investment income

(\$ millions)	2005	2004 ¹	Increase (Decrease)
Coupon and dividend income	274	275	(1)
Realized net gains on sale of fixed-income instruments	140	57	83
Realized net gains on sale of other instruments	220	96	124
Realized net gains on sale of derivative instruments	51	84	(33)
Unrealized net gains on held-for-trading investments	(53)	(33)	(20)
	632	479	153

primarily to a lower hedge ratio for U.S. dollar denominated assets, and a smaller decline in the value of the U.S. dollar versus the Canadian currency. It is important to understand, however, that these apparent gains/losses reflect only one side of the currency hedging transaction, and were more than offset by unrealized market value changes in foreign currency denominated investments, which were included in comprehensive income. (As prescribed in the CICA handbook, WorkSafeBC has the option of either using or not using hedge accounting for derivatives. It has elected not to adopt hedge accounting because of the relative complexity of the accounting requirements as compared with the materiality of our investments in these instruments.)

Expenses

Wage-loss claims rose again in 2005 as the economy continued to grow — particularly in industries with higher rates of injury.

Claim costs

WorkSafeBC's claim costs comprise three primary elements:

1. The cost of current-year claims, including both the amounts paid in the year and actuarially determined estimates of future costs of these claims
2. The cost of indexation related to wage and CPI increases
3. Adjustments to actuarially determined estimates of future claim costs for prior-period claims

1. Current-year claims

Current-year claim costs increased \$38 million or 4.3 percent over 2004. The average cost per claim decreased by 0.9 percent, reflecting lower claim duration and lower current-year short-term disability and vocational rehabilitation liabilities. But the

volume of claims increased by 4.9 percent, which resulted in higher overall claim costs. WorkSafeBC has made significant commitments to lower the injury rate and reduce average short-term claim duration over the coming years, which will help reduce the frequency and severity of injuries, lower claim costs, improve return-to-work outcomes, and avoid upward pressure on the premium rate.

2. Indexation related to wage and CPI increases

In 2005, the cost of indexation totalled \$498 million, an increase of \$37 million over 2004. The primary determinant of indexation costs is the level of the CPI, which increased from 2.3 percent in 2004 to 2.6 percent in 2005.

3. Adjustments to actuarial estimates for prior-period claims

Changes in the pattern of claim costs experienced currently can increase or decrease the likely costs of claims arising from past years' claims. Increases in the cost of medical treatment or longer life expectancy among those with permanent disabilities, for example, can increase the claim liabilities for past years' claims. Other changes, such as an improved pattern of rehabilitation and return-to-work outcomes, reduce prior-year claim liabilities.

The favourable prior-period claims adjustment of \$164 million was primarily a result of actuarial gains on the unfinalled claim liability for long-term disability, vocational rehabilitation, and, to a lesser extent, short-term disability. About three-quarters of this \$164-million gain was generated as a result of the decline in the most recent five-year average cost experience used to set the liabilities. This decline resulted from higher costs in 2000 being replaced by relatively lower 2005 costs as part of

¹ The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

Claim costs and statistics

(\$ millions)	2005	2004	Increase (Decrease)	%
Estimated person-years worked	1,890,000	1,837,000	53,000	2.9%
Estimated injury rate (per 100 person-years)	3.09	3.06	0.03	1.0%
Estimated new injuries ¹	58,470	56,292	2,178	3.9%
Average weekly wage of all claimants	712	711	1	0.1%
Duration of claims (average days on wage loss)	47.3	48.1	(0.8)	(1.7%)
Total claim costs (\$ millions)	\$1,266	\$1,216	\$50	4.1%
Current year's claims	\$932	\$894	\$38	4.3%
Indexation cost	\$498	\$461	\$37	8.0%
Prior-period claim liability adjustments	(164)	(139)	(25)	18.0%
Consumer price index	2.6	2.3	0.3	13.0%

the average. The other major component of the gain resulted from payments and awards made in 2005 at lower levels than anticipated in the unfinalled claim liability at December 31, 2004.

Operating costs

There is an important connection between WorkSafeBC's operating costs; the level of service provided to stakeholders, and the overall financial performance of the organization. To effectively manage and administer the workers' compensation system and meet stakeholder needs, WorkSafeBC must invest in sufficient staff and maintain and improve its capital resources. During 2005, WorkSafeBC continued to press forward with its reorganization changes, first implemented in 2004, to improve service and financial performance. These changes helped improve various measures of service, customer satisfaction, and financial performance, including short-term claim duration, which is a key cost driver of the system.

WorkSafeBC's operating costs totalled \$300.8 million in 2005, which was basically the same as in 2004. However, if not for a \$3.6-million non-recurring gain from the sale of one of its

administration buildings, the 2005 operating costs would have totalled \$304.4 million, which would be \$3.6 million or 1.2 percent higher than in 2004.

In 2005, WorkSafeBC, which operates under the guidelines of the provincial government's Public Sector Employers' Council (PSEC), awarded its employees a general wage increase of 1.5 percent effective April 1, 2005, and instituted performance-based compensation for management. In addition, the Board of Directors approved a 1.5 percent increase in staff complement in 2005 to address operational pressures and increasing workload demands. The remaining changes in operating costs can be attributed to an increase in depreciation costs, primarily the result of a mainframe computer equipment upgrade in prior years, and a decrease in miscellaneous revenue (which is netted against operating costs), resulting primarily from a decrease in the sale of WorkSafeBC posters and publications. Offsetting these increases were decreases in consulting fees, funding towards injury reduction initiatives (offset by a decrease in premium income from employer funded injury-reduction initiatives, see page 44), office expenses, and communication costs.

¹ Data excludes health-care-only claims.

Other comprehensive income

Other comprehensive income represents unrealized market value gains (net) from available-for-sale portfolio investments. This line item in the statement of operations appears below the operating results line, indicating that it should be viewed in a different context from normal operations. The unrealized market value gains represent market valuations of portfolio investments as at the balance sheet date, and these gains are subject to market value fluctuations. Since the majority of the portfolio of investments is held to meet payment obligations that extend for many years into the future, the valuation of these investments at a point in time provides a view of the financial position of WorkSafeBC at only that point in time. Short-term changes in financial markets could produce significant variations in this line item from year to year, whereas WorkSafeBC's investment policies are designed to meet the long-term duration profile of liabilities.

Estimates

Based on assumptions that reflect the most probable set of economic conditions and planned courses of action (as at the financial statement date), WorkSafeBC's financial statements include management's best estimates of the reported amounts of its assets and liabilities, as well as its reported amounts of income and expenses during the reporting periods. Measurement uncertainty, as defined by GAAP, exists when there is a variance between the recognized amount and another reasonably possible amount, and actual results may differ by a significant amount from those estimated in the financial statements. The two most significant financial statement items that contain measurement uncertainties are accrued premiums and claim benefit liabilities.

Accrued premiums

The final premium amount accrued for the current assessment year is not fully known until about May of the following calendar year when employers have submitted their final premium reconciliation statements. Therefore, this value must be estimated based on the incomplete data available as of January of the following calendar year in order to meet the reporting deadline of March 25 specified in the *Workers Compensation Act*.

The data used in making this estimate includes both revenues received to date by WorkSafeBC and external measures of economic activity in the province of B.C. Due to the uncertainty inherent in this process, WorkSafeBC has historically taken a prudent, conservative approach in making this estimate. Any difference resulting from this estimate is

recognized in the financial statements in the following calendar year.

The following table shows the recent history of premium estimates and compares them with the actual premiums ultimately determined:

Premium income				
(\$ millions)	2001	2002	2003	2004
(a) Estimated at year-end	945	1,000	1,075	1,160
(b) Final	963	1,033	1,100	1,182
(c) Difference (\$)	18	33	25	22
(d) Difference (%)	1.9%	3.2%	2.3%	1.9%

Claim benefit liabilities

Claim benefit liabilities represent an estimate of the present value of future payments to be made on existing claims, and are calculated on the basis of actuarial assumptions. These actuarial assumptions are generally based on actual recent claim experience. However, future payments generally have a very long duration, with an average expected payout 20 years in the future and a maximum payout period of more than 50 years. There is a risk that the actual recent experience used for setting the actuarial assumptions may not endure for the entire 50-year period, which could introduce an error into the liability estimate.

The two most important assumptions underlying the liability estimate are the discount rate and the future payment pattern.

1. Discount rate

The primary economic assumption is that future investment income will be earned on the liability at the annual rate of CPI plus 3.5 percent for each year into the future. That is, the liability is calculated assuming a discount rate of CPI plus 3.5 percent. If actual future investment performance falls below this actuarial assumption, the liability estimate will be deficient. Specifically, for each 1 percent annual shortfall in the future actual investment returns, the liability will be underestimated by approximately 12 percent of the total \$8.6 billion liability, or about \$1 billion.

2. Future payment pattern

The actuarial liabilities of WorkSafeBC's future payment pattern consist of two major categories, each of which incorporates an estimate of what the future pattern of payment will be:

- **Pensions awards, capitalized values** — This is the present value of monthly annuities that have already been awarded to claimants (long-term disability) or to survivors of deceased claimants. The potential estimation error in this \$4 billion liability is relatively small, based on whether the lifespan of these annuitants varies from the actuarial assumptions used.
- **Provision for unfinalled claims** — This is the present value of future payments on existing claims that have not yet been awarded. This encompasses five types of benefits: short-term disability, long-term disability, survivor benefits, health care, and vocational rehabilitation, as well as a provision for the administration costs of future claims (which are required to adjudicate and process these future payments).

This unfinalled claim liability is generally calculated by assuming that the average payment pattern observed over the last five calendar years is representative of the future payment pattern that will emerge on existing claims over the next 50 years.

There is a significant uncertainty in this key assumption. Historical experience has shown that payment patterns can alter substantially over time. The underlying factors that drive this change include changes in claimant demographics, changes in adjudication practices, changes in appeal procedures, as well as socio-economic factors in society at large. The long-term

disability component, which constitutes \$2.3 billion or about 50 percent of this \$4.6 billion liability, has historically proven to be particularly volatile in this respect. Although it is not possible to determine an exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability, historical data suggests that the expected uncertainty could be in the range of 20 percent (plus or minus), or about \$0.9 billion over the next 50 years.

Gain and loss analysis

The following gain and loss analysis isolates the major components contributing to the operating results in 2005 and 2004 (as they apply to results related to rateable employers). Also shown are the aggregate gain and loss elements for the past five years in order to provide a broader perspective on recent financial results.

- In 2005, premium income exceeded the cost of current-year injuries by \$168 million. This was higher than the comparable result for 2004. The \$40 million increase was primarily due to lower levels of pre-2000 surplus refunded to employers in 2005, as the pre-2000 surplus abatement program has now largely wound down. Note 12 of the financial statements shows further details of this increase. Since premium rates are set using the most recent three years' weighted injury rates and cost rates, premium rates

Gain and loss analysis

(\$ millions)	2005	2004 ¹	Increase (Decrease)	Five-year total increase (decrease) 2001–2005
a) Premium revenue excess over current-year costs	168	128	40	55
b) Investment income greater (less) than liability requirements — smoothed basis	87	47	40	(365)
c) Lower (higher) actuarial liabilities than previously anticipated	210	171	39	(155)
d) Extraordinary adjustments to revalue liabilities	—	—	—	573
Operating surplus — smoothed basis	465	346	119	108
e) Unrealized market losses (gains) reported as comprehensive income	9	(43)	52	—
Operating surplus — fair value	474	303	171	—

¹ The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

- **Pensions awards, capitalized values** — This is the present value of monthly annuities that have already been awarded to claimants (long-term disability) or to survivors of deceased claimants. The potential estimation error in this \$4 billion liability is relatively small, based on whether the lifespan of these annuitants varies from the actuarial assumptions used.
- **Provision for unfinalled claims** — This is the present value of future payments on existing claims that have not yet been awarded. This encompasses five types of benefits: short-term disability, long-term disability, survivor benefits, health care, and vocational rehabilitation, as well as a provision for the administration costs of future claims (which are required to adjudicate and process these future payments).

This unfinalled claim liability is generally calculated by assuming that the average payment pattern observed over the last five calendar years is representative of the future payment pattern that will emerge on existing claims over the next 50 years.

There is a significant uncertainty in this key assumption. Historical experience has shown that payment patterns can alter substantially over time. The underlying factors that drive this change include changes in claimant demographics, changes in adjudication practices, changes in appeal procedures, as well as socio-economic factors in society at large. The long-term

disability component, which constitutes \$2.3 billion or about 50 percent of this \$4.6 billion liability, has historically proven to be particularly volatile in this respect. Although it is not possible to determine an exact measure of the ultimate uncertainty in the estimate of unfinalled claim liability, historical data suggests that the expected uncertainty could be in the range of 20 percent (plus or minus), or about \$0.9 billion over the next 50 years.

Gain and loss analysis

The following gain and loss analysis isolates the major components contributing to the operating results in 2005 and 2004 (as they apply to results related to rateable employers). Also shown are the aggregate gain and loss elements for the past five years in order to provide a broader perspective on recent financial results.

- a) In 2005, premium income exceeded the cost of current-year injuries by \$168 million. This was higher than the comparable result for 2004. The \$40 million increase was primarily due to lower levels of pre-2000 surplus refunded to employers in 2005, as the pre-2000 surplus abatement program has now largely wound down. Note 12 of the financial statements shows further details of this increase. Since premium rates are set using the most recent three years' weighted injury rates and cost rates, premium rates

Gain and loss analysis

(\$ millions)	2005	2004 ¹	Increase (Decrease)	Five-year total increase (decrease) 2001-2005
a) Premium revenue excess over current-year costs	168	128	40	55
b) Investment income greater (less) than liability requirements — smoothed basis	87	47	40	(365)
c) Lower (higher) actuarial liabilities than previously anticipated	210	171	39	(155)
d) Extraordinary adjustments to revalue liabilities	—	—	—	573
Operating surplus — smoothed basis	465	346	119	108
e) Unrealized market losses (gains) reported as comprehensive income	9	(43)	52	—
Operating surplus — fair value	474	303	171	—

¹ The 2004 financial statements have been restated to reflect the impact of the prior-period adjustments described in Note 3 on pages 59 to 60.

usually lag behind (are higher/lower than) the actual experience in periods of declining/rising injury and cost rates. Therefore, premium rates for 2005 do not fully reflect the most recent flattening in the injury rate or decline in the average claim cost.

- b) Investment income calculated on the smoothed basis in 2005 exceeded actuarially required returns. The smoothed return in 2005 was 7.2 percent compared with 6.4 percent in 2004. Market returns for 2005 were 12.5 percent compared with 10.3 percent in 2004.
- c) Adjustments to previously estimated actuarial liabilities occur when subsequent actual cost experience provides a basis for making those adjustments. In addition, this component includes miscellaneous prior years' interest items. Disclosure of 2005 adjustments is contained under the third part of the claim cost section on page 45.
- d) There were no extraordinary adjustments to revalue liabilities in 2005 or 2004. The caption accommodates the disclosure of extraordinary adjustments made in the five-year total column.
- e) A portion of total unrealized market gains (net), representing the annual amortization of total unrealized market gains, is included in investment income used to derive item b). In reconciling operating income on the smoothed basis to the reported fair value operating surplus, WorkSafeBC deducts the amortized unrealized market gain from the smoothed operating surplus.

Risks

Like any organization, WorkSafeBC is susceptible to risks that, if unmitigated, could lead to significant financial consequences. WorkSafeBC has established financial expenditure controls, policies, and processes to assist in containing risks. An internal audit department, which reports to the Audit Committee of the Board of Directors, regularly carries out operational and control audits to test for compliance.

Of the four key financial drivers discussed earlier on page 43, benefit costs and investment performance are the drivers that have potentially critical consequences if not adequately controlled for risk.

Benefit costs

Benefit costs, especially those related to the high-cost injuries that lead to long-term disability, are susceptible to many variables, including employers' return-to-work practices, WorkSafeBC's effectiveness in processing claims, and appellate decision results. In the past, the appellate decision variable has

been the most unpredictable and costly risk factor. The number of appeals pending resolution at the Workers' Compensation Appeal Tribunal at the end of 2005 totalled 4,926, compared with 9,944 at the end of 2004, and 15,708 at the end of 2003. This substantial reduction has allowed WorkSafeBC to factor the results into its actuarial estimates of liability and thus reduce the unknown risk factor to more predictable levels.

Another benefit cost risk is a non-controllable risk related to the potential for legislated new benefits or expanded coverage of diseases, especially if applied retroactively. Topics such as chronic pain and work-related stress have been addressed by other provincial legislatures and could carry substantial financial liability risk if introduced in B.C. Also, the risk of diseases such as severe acute respiratory syndrome (SARS) and pandemic influenza (perhaps arising from the avian influenza virus) could affect large portions of the working population and thereby significantly increase benefit costs.

Investment performance

WorkSafeBC's investment policy dictates a prudent portfolio allocation of 45 percent equities, 45 percent fixed income, and 10 percent real estate. The Board of Directors is responsible for setting WorkSafeBC's investment policy and has matched the policy to the duration of liabilities and ensured that appropriate safeguards and controls are in place to mitigate risks. The Board of Directors and WorkSafeBC's Investment Committee have also established processes and reporting requirements to ensure that the organization's fund manager, the British Columbia Investment Management Corporation, has adequate internal controls and risk-mitigation procedures in place. However, there are some investment risks that are not directly controllable, such as significant market swings, geopolitical risks, and interest rate changes driven by the fiscal and trade policies of other countries.

Risk management

In 2003, WorkSafeBC formally established an Enterprise Risk Management (ERM) framework modelled after best practices of the Australia/New Zealand model and the Committee of Sponsoring Organizations of the Treadway Commission (COSO), whose sponsors comprise the Institute of Internal Auditors, the American Institute of Certified Public Accountants, the American Accounting Association, the Institute of Management Accountants, and the Financial Executives Institute. Each year, the Board of Directors Audit Committee receives formal reports on risk and controls. For more information about WorkSafeBC's ERM system, refer to the section on operating context on page 83.

Future outlook

Looking forward, WorkSafeBC's pro forma financial projections indicate continued positive operating results and increasingly lower premium rates to 2009.

In conjunction with the annual rate-making process completed in October of each year, WorkSafeBC generated 10,000 simulated scenarios of financial outcomes to 2009.¹ These simulations take into account historical information and trends on four key variables: the injury rate, inflation, investment returns, and claim costs. The following key assumptions were incorporated into the simulation model:

- Average CPI growth of 2.5 percent per year, with a corresponding annual wage rate growth of 3.5 percent
- Average workforce growth of 1.8 percent with no change in the injury rate
- Average annual investment (market) return of 6 percent with a standard deviation of 6 percent
- Average annual unfinalled claim cost index reduction of 0.5 percent

The simulation results indicate an expected funded ratio (smoothed basis) of 114 percent at the end of 2009, with a 25 percent chance of being below 109 percent and a 25 percent chance of being above 119 percent. The factors that could lead to being below full funding are primarily high inflation and low investment returns. Simulations also indicated an overall premium rate of \$1.62 in 2009 (compared with \$1.99 in 2005), with a 25 percent chance of being above \$1.70. The projections are, however, subject to uncontrollable external influences with indeterminate impact, such as a possible avian flu pandemic, shocks to world financial systems, and various geopolitical events.

While simulation results do not necessarily foretell the future, they help WorkSafeBC's senior management make qualitative assessments of likely future results. WorkSafeBC continuously monitors leading indicators and performance measures related to inflation, the injury rate, investment return, and claim costs.

Inflation, as measured by the CPI, experienced a sharp spike in September 2005 as a result of energy price increases, but has since receded to more acceptable levels. Continued uncertainty about oil and energy supplies and prices will likely cause occasional volatility in the CPI measure going forward. In addition, upward wage pressures may begin to impact the CPI as Canada's industrial capacity is maximized. The risk of

inflation is considered to be slightly higher at publication time than it was in mid-2005 when the projections were made.

British Columbia's economic base, and hence its underlying payroll base, is projected to continue to grow across the seven major industry sectors. Employment growth is likely to increase the volume of claims if the injury rate is not lowered; however, premium growth, as a result of a growth in the volume of payroll, should keep pace with the cost of injuries. If the rate of injury increases as it did in 2005, there is a corresponding risk of upward pressure on the overall premium rate. But WorkSafeBC's initiatives to improve safety and lower injury rates in high-risk industries, outlined on page 21, will help mitigate further increases in the injury rate.

WorkSafeBC's portfolio investment returns have been robust, with market returns of 13, 10, and 10 percent respectively in the past three years. The strength of financial markets is dependent on continued global economic growth. In addition, stability in inflation and interest rates will impact fixed-income investments and these, in turn, are dependent on the fiscal and trade balances of major global economies. In management's opinion, expectations for double-digit returns in the near- and mid-term are not realistic, and hence lower rates of return have been assumed in future projections.

WorkSafeBC's unfinalled claim cost index is a proxy measure of the cost of claims and reflects most of the factors that drive costs, excluding the impact of inflation. This index, which had been increasing for many years, has more recently begun to decline due to a significant reduction in the backlog of long-term disability claims (awaiting resolution), as well as a decrease in the propensity for claims to require long-term disability awards. In management's opinion, the projected annual decline in this index of 0.5 percent remains a reasonable and prudent assumption.

¹ Simulations are generated using Monte Carlo statistical techniques, which involves modelling the output of a mathematical process using random sample inputs.

Financial Review

Responsibility for financial reporting

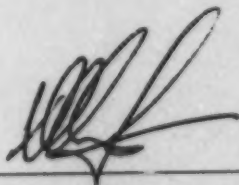
Management of WorkSafeBC is responsible for the preparation of the accompanying financial statements in accordance with Canadian generally accepted accounting principles. These financial statements include some amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the annual report conforms to these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

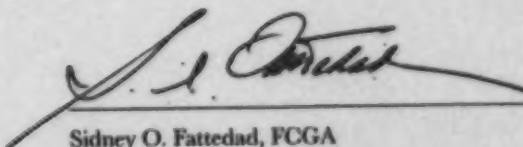
The Internal Audit Department performs audits designed to test the adequacy and consistency of WorkSafeBC's internal controls, practices, and procedures.

The Auditor General of British Columbia, WorkSafeBC's external auditor, has performed an independent audit of the financial statements of WorkSafeBC in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and his opinion on the financial statements of WorkSafeBC.

The firm of Eckler Partners Ltd. has been appointed as the independent consulting actuaries to WorkSafeBC. Their opinion on the adequacy and appropriateness of the valuation of WorkSafeBC's benefit liabilities is presented as a part of these financial statements.



David Anderson, MBA
President and Chief Executive Officer



Sidney O. Fattedad, FCGA
Vice-President, Finance, Information Services,
and Stakeholder Relations, and Chief Financial Officer

March 10, 2006

Report of the Auditor General of British Columbia



To the Board of Directors of the Workers' Compensation Board, and

To the Minister of Labour and Citizens' Services, Province of British Columbia:

I have audited the balance sheet of the Workers' Compensation Board as at December 31, 2005 and the statements of operations, changes in unappropriated balance/(unfunded liability) and accumulated other comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Workers' Compensation Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

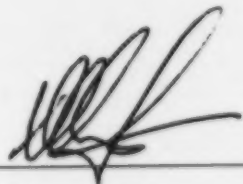
Wayne Strelloff, FCA
Auditor General

Victoria, British Columbia
March 10, 2006

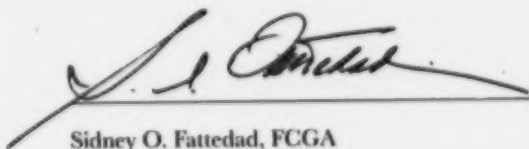
Balance Sheet**As at December 31, 2005 (\$ thousands)****Exhibit 1**

	2005	2004
Assets		
Receivables (Notes 3 and 4).....	551,121	508,035
Portfolio investments (Notes 3 and 5).....	10,357,397	9,236,128
Property, plant, and equipment (Note 6)	136,068	139,686
	11,044,586	9,883,849
Liabilities, reserves, unappropriated balance, and accumulated other comprehensive income		
Payables and accruals.....	231,073	201,604
Benefit liabilities (Notes 7 and 15).....	8,576,574	8,412,023
Total liabilities.....	8,807,647	8,613,627
Reserves (Note 10)	440,000	260,000
Unappropriated balance (Exhibit 3)	689,841	395,755
Accumulated other comprehensive income (Exhibit 3).....	1,107,098	614,467
	11,044,586	9,883,849

The accompanying notes are an integral part of the financial statements.



David Anderson, MBA
President and Chief Executive Officer



Sidney O. Fattedad, FCGA
Vice-President, Finance, Information Services,
and Stakeholder Relations, and Chief Financial Officer

Statement of Operations
For the Year Ended December 31, 2005 (\$ thousands)

Exhibit 2

	2005	2004
Income		
Premiums (Note 11)		
Rateable employers	1,184,346	1,105,094
Self-insured employers (Note 3)	48,749	58,642
Levy for injury-reduction initiatives	6,682	11,353
	1,239,777	1,175,089
Investments (Notes 3 and 5)		
Earned income	274,032	275,009
Realized gains on investments	411,138	236,705
Unrealized losses on held-for-trading ¹ investments	(53,399)	(32,657)
	631,771	479,057
Total income	1,871,548	1,654,146
Expenses		
Claim costs (Note 8)		
Short-term disability	209,774	205,206
Long-term disability	504,081	459,094
Survivor benefits	87,844	70,996
Health care	281,873	299,763
Vocational rehabilitation	1,550	15,544
Claim administration	180,936	165,262
	1,266,058	1,215,865
Operating costs (Note 9)		
Administration costs	263,616	260,473
Amortization of property, plant, and equipment	30,534	28,960
Funding for injury-reduction initiatives	6,682	11,353
	300,832	300,786
Less: Claim administration payments	169,428	165,805
	131,404	134,981
Total expenses	1,397,462	1,350,846
Surplus from operations	474,086	303,300
Other comprehensive income		
Net unrealized gains on available-for-sale ² investments (Note 3)	492,631	805,932
Total comprehensive income	966,717	1,109,232

The accompanying notes are an integral part of the financial statements.

1 Held-for-trading investments are acquired mainly for the purpose of selling the investments in the near term.

2 Available-for-sale investments are neither held-for-trading investments nor investments with fixed maturity that an entity has a positive intention to hold to maturity.

**Statement of Changes in Unappropriated Balance (Unfunded Liability)
and Accumulated Other Comprehensive Income
For the Year Ended December 31, 2005 (\$ thousands)**

Exhibit 3

	2005	2004
Unappropriated balance (unfunded liability) — January 1	395,755	(252,137)
Transitional adjustments ¹		
Unrecognized net realized gains from prior years	—	317,672
Unrecognized net unrealized gains on held-for-trading investments from prior years	—	75,133
Reclassification of net unrealized gains included in the opening balance of accumulated other comprehensive income	—	(48,213)
Unappropriated balance — January 1 restated	395,755	92,455
Surplus from operations (Exhibit 2)	474,086	303,300
Appropriation to Research Reserve (Notes 2(d) and 10)	(30,000)	—
Appropriation to Investment Fluctuation Reserve (Notes 2(d) and 10)	(150,000)	—
Unappropriated balance — December 31 (Note 3)	689,841	395,755
Accumulated other comprehensive income — January 1	614,467	—
Transitional adjustment ¹		
Unrecognized net unrealized losses on available-for-sale investments from prior years (Note 3)	—	(191,465)
Accumulated other comprehensive income — January 1 restated	614,467	(191,465)
Other comprehensive income (Exhibit 2)	492,631	805,932
Accumulated other comprehensive income — December 31	1,107,098	614,467

The accompanying notes are an integral part of the financial statements.

¹ WorkSafeBC early adopted the recommendations of section 3855 (Financial Instruments – Recognition and Measurement) of the Canadian Institute of Chartered Accountants (CICA) handbook in 2004. In accordance with transitional rules resulting from this change in accounting policy to adopt fair value accounting for its investment portfolios, one-time transitional adjustments were applied to the opening 2004 unfunded liability and accumulated other comprehensive income to ensure that the unappropriated balance contained only realized gains (losses) and the opening balance of the accumulated other comprehensive income contained all unrealized gains (losses).

Statement of Cash Flows

For the Year Ended December 31, 2005 (\$ thousands)

Exhibit 4

	2005	2004
Cash flow from operating activities		
Cash received from:		
Employers.....	1,204,067	1,113,472
Dividends and interest.....	260,778	247,293
	<u>1,464,845</u>	<u>1,360,765</u>
Cash paid to:		
Claimants or third parties on behalf of claimants.....	932,079	907,688
Employees and vendors for goods and services	253,080	261,698
	<u>1,185,159</u>	<u>1,169,386</u>
Cash from operating activities	279,686	191,379
Cash flow from investing activities		
Net purchase of fixed-term investments	(67,813)	(57,623)
Net purchase of equity investments.....	(241,013)	(194,716)
Net sale of derivative financial instruments.....	50,804	83,573
Net purchase of property, plant, and equipment	(22,041)	(25,459)
Cash used in investing activities.....	<u>(280,063)</u>	<u>(194,225)</u>
Net decrease in cash and cash equivalents.....	(377)	(2,846)
Cash and cash equivalents — January 1.....	(22,232)	(19,386)
Cash and cash equivalents — December 31 (Note 5).....	<u>(22,609)</u>	<u>(22,232)</u>

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements For the Year Ended December 31, 2005

Note 1 — Nature of operations

The Workers' Compensation Board administers the *Workers Compensation Act* (the Act), enacted by the British Columbia Legislature in 1917. The Act was amended by the *Workers Compensation Amendment Act* (Bill 49 and Bill 63), and by the *Skills Development and Labour Statutes Amendment Act* (Bill 37).

In 2005, the organization adopted the trade name WorkSafeBC, to better reflect its core vision and goals. The primary functions of WorkSafeBC under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

Premium rates are established at a level to recover from established classes of employers' current and future costs for claims and operations arising from current claims, subject to a capping policy to moderate excessive changes in rates from year to year. WorkSafeBC may also levy a special premium when it is considered appropriate.

WorkSafeBC does not receive government funding or other assistance. The funding strategy of WorkSafeBC is to be fully funded, with any balances in the unfunded liability or unappropriated balance to be amortized on a five-year averaging basis, through adjustments to future premium rates.

Note 2 — Significant accounting policies

(a) Portfolio investments

In accordance with the recommendations of section 3855 (Financial Instruments — Recognition and Measurement) of the Canadian Institute of Chartered Accountants (CICA) handbook, WorkSafeBC has designated all its fixed-term, equity, and real estate investments as available-for-sale investments and reports them at fair value, except for its investments in private placements and foreign real estate, which do not have quoted market prices in the active market and are therefore reported at cost. The amounts by which fair values for these investments differ from costs represent unrealized gains and losses and are recognized in other comprehensive income. Derivative financial instruments, although also stated at fair value, are classified as held-for-trading, with changes in fair value reflected in net income as unrealized gains and losses. All realized gains and losses are recognized in net income in the year of disposition.

For many years, WorkSafeBC had an internal treasury department that invested directly in fixed-income instruments. However, effective December 31, 2005, WorkSafeBC ceased in-house direct investment activities and now invests indirectly in long and short duration fixed-term investments through both segregated and pooled fund products managed by the British Columbia Investment Management Corporation (bcIMC), in the same manner as the organization has invested in derivative financial instruments; publicly traded equities, real estate, currency overlay, and private placements for a number of years. Fixed-term investments having terms greater than one year consist primarily of bonds of the Government of Canada, various provinces, Crown corporations, and high-quality corporate bonds, as well as real-return, fixed-term mortgage, and global bonds. Those having terms less than or equal to one year consist primarily of treasury bills and other money market instruments. WorkSafeBC's investment in derivative financial instruments, which are financial contracts whose values change in response to changes in the values of the underlying securities, reference rates, or indices, include forward foreign exchange contracts and interest rate swaps.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for these investments are recorded in the same manner as other investment gains and losses.

The fair value of investments is market value. The market value of publicly traded investments is based on quoted prices while that of domestic real estate investments is based on independent appraisals. The market value of forward foreign exchange contracts is determined by the net unrealized gains or losses, as well as premiums paid or received.

(b) Property, plant, and equipment

Property, plant, and equipment are reported at cost and are amortized on a straight-line basis over their estimated useful lives.

The rates used are as follows:

Buildings.....	20 to 40 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles.....	5 years
Operating systems.....	5 to 7 years

Note 2 — continued

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date of implementation.

(c) Benefit liabilities

WorkSafeBC determines its liabilities at the end of each year for all injuries that have taken place to that time.

WorkSafeBC appoints a consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to WorkSafeBC. The opinion of the consulting actuary is appended to these financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by applicable legislation, policies, and/or administrative practices in respect of existing claims.

Benefit liabilities consist of capitalized values for pension awards already made, plus a provision for unfinalled claims (i.e., for future payments on claims that have not been finalized to date). The benefit liabilities have been discounted to present value, using an underlying real interest rate of 3.5 percent, adjusted to 4.5 percent for those benefits that were affected by 2002 and 2003 legislative changes and inflation adjustments. Benefit liabilities include the estimated future expense of administering existing claims.

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational diseases, because the determination of such claims cannot be reasonably estimated. However, a \$200-million reserve was established in prior years to mitigate future claims relating to such diseases.

(d) Reserves

The \$40-million Accident Fund Special Reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve [Section 39(1)(b)], which provides a reserve in aid of industries or classes that may become depleted or extinguished.
- Disaster Reserve [Section 39(1)(d)], which provides a reserve to meet the loss arising from a disaster or other circumstance that WorkSafeBC considers to be an unfair burden on the employers in a particular class.
- Enhancement Reserve [Section 39(1)(e)], which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability.

Claims deemed by WorkSafeBC to be covered by these reserves are charged to current operations but are prorated to the various employer classes rather than being charged directly to any specific class.

WorkSafeBC established a \$200-million Latent Occupational Disease Reserve relating to certain occupational diseases that may have occurred in the current or prior years, but may not be reported or recognized for a number of years due to the extended latency periods of such diseases.

A \$20-million Earthquake Disaster Reserve was also established to provide for claims from workers that may be injured in their course of employment during an earthquake disaster.

Pursuant to section 111 of the *Workers Compensation Act*, WorkSafeBC re-established in 2005 a \$30-million Accident Fund Research Reserve for the purpose of funding initiatives in scientific study, as well as disseminating and applying ways to reduce occupational injury, disease, impairment, or disability arising from employment, in support of WorkSafeBC's Strategic Plan. The \$30-million reserve will remain intact, while investment income earned on the reserve, calculated using WorkSafeBC's smoothed accounting rate of return, will be directed to funding research. The management and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

In 2005, WorkSafeBC has also appropriated from its unappropriated balance a \$150-million Investment Fluctuation Reserve as a first installment in a multi-year program toward establishing a total reserve equal to a currently estimated requirement of 7 percent of benefit liabilities. This reserve is being created in order to ensure that in 90 percent of all economic and capital market environments, the Accident Fund is able to meet the following Investment Policy's risk budget constraints:

- Premium rates are equal to the cost of new claims plus no more than \$0.30 to cover the impact of investment losses as an element in the overall premium rate
- The funding level of the Accident Fund, excluding reserves, should not fall below 90 percent as a result of investment losses

Policy stipulates that this investment fluctuation reserve should be drawn upon in the event that the above risk budget thresholds are breached.

Assuming that WorkSafeBC continues to achieve favourable financial results in the next few years, the target is to continue appropriating \$150 million per year for the next three years and have a total of \$600 million (7 percent of current liabilities)

Note 2 — continued

investment fluctuation reserve set up by the end of 2008. The total reserve target will be subject to a capital adequacy review in 2006.

(e) Premium income and accrued premiums receivable

As a significant portion of premium income for the year is not received until after the year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

(f) Self-insured employers

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, and vocational rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of administrative costs.

The receivable in Note 4 represents a provision for future claim costs of self-insured classes, for which the final settlement has not been determined; it also includes unpaid current billings.

WorkSafeBC acts as the agent of the Government of Canada for the payment of workers' compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

(g) Use of accounting estimates

In accordance with Canada's generally accepted accounting principles, WorkSafeBC's financial statements include management's best estimates of the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting periods presented. Actual results may differ from management's estimates by significant amounts. Claim benefit liabilities and accrued premiums are the most significant items that reflect estimates in these financial statements.

Note 3 — Prior-period adjustments

After further deliberation of the recommendations of CICA section 3855 (Financial Instruments — Recognition and Measurement), which WorkSafeBC early adopted in 2004, the following prior-period adjustments were made:

- After additional review of the basis for the market valuation of investments in private placements and foreign real estate pooled funds, WorkSafeBC determined in 2005 that it is more appropriate to record these investments at cost rather

than at their market values since the market values of these instruments are not readily and regularly available from independent sources. The 2004 financial statements have been restated to reflect this revised valuation basis, resulting in a \$32.6-million increase in 2004's reported investment portfolio and comprehensive income. Because of this change, the 2005 reported comprehensive income was \$41.4 million lower than what it would have been had these two types of investments been reported at their market values. This change also resulted in a slight decrease in the premium income and corresponding amounts receivable from the self-insured employers (\$0.1 million).

- In 2005, WorkSafeBC also reassessed its accounting treatment of net accumulated gains and losses realized from trading activities within the various pooled fund products. Its former accounting treatment was mainly driven by the pool fund regulation of its investment manager, whereby net accumulated trading gains within any of the pools are distributed as income and reinvested at year-end while net accumulated trading losses remain unadjusted within pools that have such losses. Based on this regulation, WorkSafeBC recognized net accumulated trading gains as realized gains while net accumulated trading losses would remain unrealized until units of a pool fund with such a loss are actually sold. This difference in the accounting treatment of net accumulated trading gains and losses within the pool had an inconsequential impact under the previously applied smoothed accounting method, as realized and unrealized gains and losses were both deferred and amortized into operating results over five years under that method. However, under the fair value accounting method adopted in 2004, this inconsistency has an implication for WorkSafeBC's financial reporting, since realized gains and losses are recognized in operating income while unrealized gains and losses are recognized in comprehensive income. To ensure consistency in the accounting treatment of accumulated trading results, whether they are a net gain or a net loss, net annual gains and losses from trading activities within any pool are now realized into operating income in the year that they are incurred. The 2004 financial statements have been restated to reflect this change, resulting in a \$23.5-million increase in the 2004 operating surplus and an offsetting decrease in comprehensive income of the same amount.
- WorkSafeBC recognized a significant provision for market value impairment in its 2002 financial statements. In 2005, it retroactively wrote down the book values of its equity pooled

Note 3 — continued

funds to reflect this provision, resulting in a reclassification of \$406.6 million, decreasing the 2004 opening balance of the accumulated other comprehensive income and increasing the comprehensive income recognized in 2004. Because this change was a classification change only, it had no net effect on the ending accumulated other comprehensive income as reported in the 2004 financial statements.

Summarized below are the impacts of the various prior-period adjustments to the 2004 financial statements as originally reported in the 2004 annual report:

	2004 prior-period adjustments				
	2004 financial statements — per 2004 annual report	Private placements and foreign real estate — at cost	Recognition of accumulated net trading gains and losses	Write-off of provision for market value impairment	2004 financial statements — restated
Balance sheet					
Accounts receivable	508,135	(100)	—	—	508,035
Portfolio investment.....	9,203,486	32,642	—	—	9,236,128
Statement of operations					
Premium income	1,175,189	(100)	—	—	1,175,089
Investment income.....	455,516	—	23,541	—	479,057
Other comprehensive income	390,199	32,642	(23,541)	406,632	805,932
Unappropriated balance and accumulated other comprehensive income (AOCI)					
Unappropriated balance — opening	92,455	—	—	—	92,455
Unappropriated balance — ending	372,314	(100)	23,541	—	395,755
AOCI — opening.....	215,167	—	—	(406,632)	(191,465)
AOCI — ending.....	605,366	32,642	(23,541)	—	614,467

Note 4 — Receivables (\$ thousands)

	2005	2004
Premiums	24,785	8,238
Accrued premiums	268,901	251,894
Self-insured employers — receivable (Note 3)	203,557	206,155
Premiums receivable	497,243	466,287
Self-insured employers — deposits	(12,312)	(12,527)
Accrued benefit asset (Note 13)	61,974	51,409
Other receivables	4,216	2,866
	551,121	508,035

Note 5 — Portfolio investments (\$ thousands)

(a) Portfolio investments

	2005	2004
Fixed-term investments, over one year, market value		
Government bonds.....	1,594,014	1,408,100
Corporate bonds	616,701	531,362
Long bonds.....	536,366	446,080
Real-return bonds	674,256	561,614
Global bonds	298,356	345,587
Fixed-term mortgages	182,526	172,066
(amortized cost: 2005 — 3,693,890; 2004 — 3,298,548).....	3,902,219	3,464,809
Fixed-term investments, under one year, market value		
Canadian short-term investments.....	412,271	582,977
Global short-term investments.....	2,542	—
	414,813	582,977
Accrued interest.....	6,126	23,722
Equities, market value		
Canadian index fund	1,196,001	1,003,927
Active Canadian equities	1,453,939	1,246,230
U.S. index fund	289,165	139,929
Active U.S. equities	585,076	563,757
International equities	1,237,605	1,265,296
	4,761,786	4,219,139
Domestic real estate, market value.....	704,104	584,695
Foreign real estate, at cost (Note 3)	68,297	51,326
Foreign exchange forward contract	4,670	58,070
Private placement pool, at cost (Note 3).....	504,079	259,340
Currency overlay, market value	13,912	14,282
Bank float	(22,609)	(22,232)
	10,357,397	9,236,128

(b) Investment income

Earned for the year.....	274,032	275,009
Realized gains on investments (Note 3)	411,138	236,705
Unrealized (losses) on held-for-trading investments	(53,399)	(32,657)
	631,771	479,057

(c) Gains (losses) on portfolio investments

Realized gains on all investments sold during the year		
Fixed-term investments.....	139,958	57,071
Equities, real estate, currency overlays, and other pooled funds (Note 3)	220,377	96,061
Derivative financial instruments	50,803	83,573
	411,138	236,705
Unrealized (losses) on held-for-trading investments		
Derivative financial instruments	(53,399)	(32,657)
	(53,399)	(32,657)

Note 5 — continued

	2005	2004
Unrealized gains on available-for-sale investments		
Fixed-term investments	159,723	114,492
Equities, real estate, currency overlays, and other pooled funds (Note 3)	693,243	844,571
Reclassification adjustments for gains and losses included in net income (Note 3)	(360,335)	(153,131)
	492,631	805,932

Investment risk management

The Board of Directors of WorkSafeBC is responsible for developing policies to ensure adequate funding of the Accident Fund, and for approving investments of funds of WorkSafeBC under section 82(2)(c) of the Act. To that end, the Board of Directors has developed a risk budget specifying the acceptable amount of financial risk for investing the funds on a prudent basis to achieve reasonable returns. To assist them in the discharge of these responsibilities, the Board of Directors has appointed an Investment Committee consisting of three independent external voting members and two internal voting members. This committee manages WorkSafeBC's Accident Fund under the parameters set out by the Board of Directors' Statement of Investment Policies and Goals for the Accident Fund.

WorkSafeBC transferred the management of its direct investments on fixed income and derivative financial instruments to the British Columbia Investment Management Corporation (bcIMC) effective December 31, 2005. To facilitate this transfer, WorkSafeBC sold all its outstanding investments in government and corporate bonds, as well as its short fixed-term investments at market value on December 31, 2005, resulting in a realized gain of \$51,829. Proceeds from the sale were used to purchase units of bcIMC's similar bond and short-term pooled funds. WorkSafeBC's investments on long, real-return, and global bonds, as well as derivative financial instruments, were kept intact and are now managed by bcIMC through various segregated funds. In addition to these, WorkSafeBC also invests in publicly traded equities, real estate, currency overlay, and private placements through pooled fund products managed by bcIMC.

Additional income is also earned by participating in securities lending arrangements, through bcIMC, whereby securities are loaned to and secured by borrowers and approved by the custodian, RBC Global Services. As of December 31, 2005, secured loans amounted to \$242,931 (2004 — \$449,384).

Credit risk management

Credit risk on financial instruments arises from the possibility that a counter-party to an instrument fails to meet its obligations. Therefore, all issuers of debt instruments including government, non-government, and other counter-parties must have a credit rating of at least BBB in order to be eligible for consideration by WorkSafeBC as an investment. Policy guidelines have been established to mitigate the risk of credit ratings of fixed income instruments falling below predetermined levels.

Foreign exchange risk management

WorkSafeBC has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, WorkSafeBC entered into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. The notional amount of forward foreign exchange contracts, which is defined as the contractual amounts on which payments are made, amounted to \$457,108 at December 31, 2005 (2004 — \$816,317). Their related replacement value at December 31, 2005 was \$4,670 (2004 — \$58,070).

Interest rate risk management

Fluctuations in interest rates can impact the market value of the fixed-income portfolio, as well as shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio within predetermined prudent policy limits. Summarized below is the remaining term to maturity of WorkSafeBC's outstanding fixed-term investments.

Note 5 — continued

	Remaining term to maturity				Total 2005	Total 2004
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years		
Government bonds ¹						
Fair value	97,165	739,075	463,808	553,955	1,854,003	1,753,686
Cost	100,284	750,973	463,513	536,321	1,851,091	1,702,902
Corporate bonds ¹						
Fair value	35,199	274,769	212,756	132,344	655,068	531,363
Cost	36,132	278,512	213,600	125,989	654,233	514,597
Long bonds						
Fair value	—	—	—	536,366	536,366	446,080
Cost	—	—	—	492,707	492,707	456,740
Real-return bonds						
Fair value	—	—	—	674,256	674,256	561,614
Cost	—	—	—	517,451	517,451	456,766
Fixed-term mortgage						
Fair value	27,710	82,420	70,684	1,712	182,526	172,066
Cost	28,082	80,858	67,882	1,586	178,408	167,543
Total						
Fair value	160,074	1,096,264	747,248	1,898,633	3,902,219	3,464,809
Cost	164,498	1,110,343	744,995	1,674,054	3,693,890	3,298,548

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its carrying value. The average yield of these fixed-term investments, excluding real-return bonds, as at December 31, 2005 is 4.1 percent (2004 — 4.6 percent).

Real estate risk management

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across residential, commercial, industrial, and development markets.

Note 6 — Property, plant, and equipment (\$ thousands)

	2005			2004 Net book value
	Cost	Amortization ²	Accumulated amortization	
Land	3,760			7,260
Buildings	64,706	1,919	35,994	38,161
Furniture, equipment, and vehicles	89,720	9,146	71,853	16,018
Operating systems ³	182,824	21,185	97,095	78,247
	341,010	32,250	204,942	139,686

¹ Government and corporate bonds include globals and supranationals.

² \$1,716 of the amortization relates to hardware and software acquired to support capitalized systems development projects.

³ Included in the operating systems cost is \$42,955 for operating systems that are still in development. Operating systems are not amortized until they are operational.

Note 7 — Benefit liabilities (\$ thousands)

	2005						2004
	Short-term disability	Long-term disability	Survivor benefits	Health care	Vocational rehabilitation	Claim administration	Total
Balance — January 1.....	338,358	5,379,205	778,921	1,154,442	282,726	478,371	8,412,023
<i>Add claim costs:</i>							
Current year's injuries	232,546	233,678	32,507	218,449	54,955	160,199	893,825
Prior years' injuries.....	(22,772)	270,403	55,337	63,424	(53,405)	20,737	322,040
	209,774	504,081	87,844	281,873	1,550	180,936	1,215,865
<i>Less claim payments made:</i>							
Current year's injuries	127,393	2,039	1,482	76,552	806	75,231	269,644
Prior years' injuries.....	108,657	372,087	59,928	135,192	47,943	94,197	803,848
	236,050	374,126	61,410	211,744	48,749	169,428	1,073,492
Balance — December 31	312,082	5,509,160	805,355	1,224,571	235,527	489,879	8,576,574
<i>Represented by</i>							
Provision for unfinalled claims.....	312,082	2,262,164	76,050	1,224,571	235,527	489,879	4,605,313
Pension awards, capitalized values.....		3,246,996	729,305				3,976,301
	312,082	5,509,160	805,355	1,224,571	235,527	489,879	8,576,574

The following is a reconciliation of the claim benefit liabilities (\$ thousands):

	2005	2004
Balance at the beginning of year.....	8,412,023	8,269,650
<i>Add:</i>		
Provision for current year's injuries	648,831	624,181
Accretion expense for prior years' liabilities'	497,858	461,260
Prior years' claim cost experience lower than expected.....	(164,134)	(139,220)
	982,555	946,221
<i>Less:</i>		
Payments for prior years' injuries.....	818,004	803,848
Balance at end of year	8,576,574	8,412,023

1 This amount represents the expected interest accrued on the benefit liabilities for prior years' injuries (i.e., opening benefit liabilities).

Note 8 — Changes in actuarial valuation of benefit liabilities (\$ thousands)

	2005			2004		
	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities	Claim costs	Less: Benefit payments	Changes in actuarial valuation of benefit liabilities
Short-term disability.....	209,774	236,050	(26,276)	205,206	234,084	(28,878)
Long-term disability.....	504,081	374,126	129,955	459,094	364,032	95,062
Survivor benefits.....	87,844	61,410	26,434	70,996	60,678	10,318
Health care.....	281,873	211,744	70,129	299,763	201,230	98,533
Vocational rehabilitation.....	1,550	48,749	(47,199)	15,544	47,663	(32,119)
Balance before						
claim administration.....	1,085,122	932,079	153,043	1,050,603	907,687	142,916
Claim administration.....	180,936	169,428	11,508	165,262	165,805	(543)
	1,266,058	1,101,507	164,551	1,215,865	1,073,492	142,373

Note 9 — Operating costs (\$ thousands)

	2005					2004	
	Prevention	Customer services	Information technology and facilities	Corporate services	WCAT, Review Division, and advisers	Total	Total
Salaries and employee benefits.....	28,159	96,756	20,872	49,005	8,564	203,356	190,192
Amortization of property, plant, and equipment and PC leases.....	1,692	12,417	12,503	7,045	150	33,807	32,377
WCAT and advisers.....					25,777	25,777	26,154
Office expenses and communication.....	1,148	4,615	8,900	1,725	252	16,640	18,401
Building expenses.....	113	1,257	7,642	1,138	30	10,180	9,547
Consulting fees.....	1,184	285	4,615	3,727	104	9,915	12,071
Travel and vehicle expenses.....	2,026	2,228	293	296	24	4,867	4,400
Sessional doctor fees.....	1	3,968			25	3,994	4,691
Injury-reduction initiatives.....	6,681	1				6,682	11,353
Other administration expenses.....	1,982	8,687	1,111	14,198	282	26,260	27,652
Cost recoveries.....	(1,137)	(14,948)	(8,958)	(12,012)	(9)	(37,064)	(36,052)
	41,849	115,266	46,978	65,122	35,199	304,414	300,786
Gain on sale of building ¹				(3,582)		(3,582)	
	41,849	115,266	46,978	61,540	35,199	300,832	300,786
Less:							
Claim administration costs.....		94,381	22,685	27,323	25,039	169,428	165,805
	41,849	20,885	24,293	34,217	10,160	131,404	134,981

¹ In conjunction with the business realignment strategy, WorkSafeBC disposed of one of its main administration buildings in 2005 and entered into a sale-leaseback arrangement with the purchaser for a period of two years. This transaction resulted in a gain of \$6,435, of which \$3,582 was recognized in 2005 with the remaining \$2,853 deferred and amortized over the two-year leaseback period.

Note 10 — Reserves (\$ thousands)

	2005			2004
	Contingent	Disaster	Enhancement	Total
(a) Special reserves costs				
Short-term disability			26,169	26,169
Long-term disability			51,234	51,234
Survivor benefits			1,297	1,297
Health care			16,108	16,108
Vocational rehabilitation			6,407	6,407
			101,215	101,215
				112,060

The special reserves balance at December 31 is represented by:

	2005	2004
Contingent	2,500	2,500
Disaster	16,500	16,500
Enhancement	21,000	21,000
Balance — December 31	40,000	40,000
(b) Latent Occupational Disease Reserve	200,000	200,000
(c) Earthquake Disaster Reserve	20,000	20,000
(d) Research Reserve	30,000	—
(e) Investment Fluctuation Reserve	150,000	—
	440,000	260,000

Note 11 — Premiums (\$ thousands)

	2005	2004
Rateable classes	1,087,502	1,069,337
Abatement of pre-2000 subclass surplus ¹	10,449	(58,358)
Interest on pre-2000 subclass surplus ¹	7,870	(8,199)
Partners Program financial incentives ²	764	—
Levy for injury-reduction initiatives	6,682	11,353
Capping of rate changes and amortization of balance ³		
Capping of rate changes	29,895	(25,172)
Amortization of balance	140,559	122,463
	110,664	97,291
Rateable classes — net	1,185,765	1,111,424
Self-insured employers (Note 3)	48,749	58,642
Penalties	5,263	5,023
	1,239,777	1,175,089

1 Since WorkSafeBC implemented its new classification and experience-rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of \$431 million) have had their surpluses abated back to them through the rate-setting process generally over a five-year period commencing in 2000. This distribution ended in 2004 except for a few remaining employers who will continue to receive credits until 2009, due to the application of a decision made by the Panel of Administrators in 1999, limiting the amount of surplus that can be distributed to the individual employers in a year to equal 50 percent of their annual assessments. The total amount abated to employers in 2005 was \$10.4 million relating to the subclass surpluses (\$58.4 million in 2004), plus \$7.9 million in interest earned on the subclass surpluses (\$8.2 million in 2004).

2 The Partners Program is an employer incentive program in support of the WorkSafeBC vision of workers and workplaces safe and secure from injury, illness, and disease. This program gives employers the opportunity to take a proactive role in implementing health, safety, and return-to-work management systems through financial incentives.

3 The capping of rate changes represents the effect of WorkSafeBC's policy to limit changes to the rates of any rate group from year to year. The amortization of the balance represents the effect of the planned amortization of the projected surplus or deficit of each rate group at the beginning of each appropriate year.

Note 12 — Gain and loss analysis

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest \$1 million).

	2005	2004
Unappropriated balance (unfunded liability) — January 1	94,000	(252,000)
Current year's excess — rateable classes		
Current year's claim and operating costs ¹		
Estimated.....	1,087,000	1,072,000
Actual	1,023,000	(988,000)
	64,000	84,000
Premium income adjustments		
Abatement and interest on pre-2000 subclass surplus	(18,000)	(67,000)
Amortization of balance	141,000	122,000
Capping of premium rate changes	30,000	(25,000)
Prior years' adjustments and miscellaneous	11,000	14,000
	104,000	44,000
Prior years' experience gain (loss)		
Short-term disability	44,000	47,000
Long-term disability	52,000	64,000
Survivor benefits	9,000	(1,000)
Health care	4,000	(35,000)
Vocational rehabilitation	67,000	60,000
Claim administration	6,000	13,000
Miscellaneous items	46,000	23,000
	210,000	171,000
Investment income excess over consumer price index increase plus underlying real interest assumption (2005 — 3.5 percent; 2004 — 3.5 percent)	87,000	47,000
Appropriation to Research Reserve	(30,000)	—
Appropriation to Investment Fluctuation Reserve	(150,000)	—
Unappropriated balance — December 31 — on funding basis ²	379,000	94,000
Smoothing differences ³	311,000	302,000
Unappropriated balance — December 31 — on GAAP basis (Note 3)	690,000	396,000

1 The current year's claim and operating costs line shown as "estimated" represents the estimate for the cost of current year's injuries which was incorporated into the premium rates set for that year for rateable employers. The "actual" line represents the actual cost of the current year's injuries as estimated at the end of that year. The difference line thus provides a measure of the accuracy of the cost provision in the premium rate.

2 This fund balance represents the amount that is incorporated into the rate-setting process calculated in year following the date of the financial results.

3 Smoothing difference represents the variance between the financial results on the fair value or GAAP basis and on the smoothed or funding basis. It represents the amount that will be factored into the rate-setting process in future years.

Note 13 — Employee benefit plans (\$ thousands)

WorkSafeBC has several employee benefit plans which provide pension and other post-employment benefits to its employees.

WorkSafeBC and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2003. In addition, WorkSafeBC also has a financial obligation relating to basic medical and extended health care post-retirement benefits that it provides to eligible WorkSafeBC retirees; WorkSafeBC employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and the expected return is also based on the fair value of its assets. The March 31, 2003, funding valuation results were used to derive the projected liabilities at year-end.

The significant actuarial assumptions adopted in valuing WorkSafeBC's benefit plan expenses are as follows:

	Pension plan		Other benefit plans	
	2005	2004	2005	2004
Discount rate.....	5.0%	6.0%	5.0%	6.0%
Expected long-term rate of return on plan assets	5.0%	6.0%	—	—
Rate of compensation increase / health care cost increase	2.0%	3.0%	4.0%	5.0%
Average remaining service period of active employees expected to receive benefits under the pension plan.....	10.6 years	10.6 years	10.6 years	10.6 years

Aggregated information about WorkSafeBC's employee benefit plans is summarized below:

	Pension plan		Other benefit plans	
	2005	2004	2005	2004
Accrued benefit obligation — December 31.....	775,832	662,809	92,840	86,560
Fair value of plan assets — December 31	791,773	710,380	—	—
Funded status — plan surplus (deficit) — December 31.....	15,941	47,571	(92,840)	(86,560)
Unamortized net actuarial loss — December 31	112,725	83,869	22,393	25,649
Unamortized transitional asset — December 31	(66,692)	(80,031)	—	—
Accrued benefit asset (liability) — December 31	61,974	51,409	(70,447)	(60,911)
Employee contributions.....	9,789	9,737	—	—
Employer contributions	13,349	12,919	—	—
Net benefit plan expense				
Employer current service cost	16,380	15,237	4,149	3,462
Interest cost on accrued benefit obligation	39,945	37,722	—	4,319
Expected return on plan assets	(42,708)	(40,258)	—	—
Amortization of:				
Transitional asset.....	(13,339)	(13,339)	—	—
Net actuarial loss	2,506	3,944	1,603	704
Pension expense	2,784	3,306	5,752	8,485

Note 13 — continued

The accrued benefit asset relating to WorkSafeBC's pension plan is included in its accounts receivable, while the accrued benefit liability relating to its other employee benefit plans is included in its accounts payable. In 2005, interest cost of \$5,273 on WorkSafeBC's accrued benefit obligation relating to its retirees' post-employment medical benefits is offset by the interest earned by that portion of the Accident Fund which has been internally restricted for the purpose of supporting this financial obligation.

Note 14 — Related-party transactions

WorkSafeBC is required to reimburse the Government of British Columbia for the operating costs of the Workers' Compensation Appeal Tribunal (which replaced the Workers' Compensation Review Board in March 2003), the Workers' Advisers Office, and the Employers' Advisers Office. As disclosed in Note 9 on page 65, the total amount reimbursed to the Province for the operation of these external bodies in 2005 was \$25,777 (2004 — \$26,154).

In addition to the legislated obligations referred to earlier, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various British Columbia government-controlled ministries, agencies, and Crown corporations to which WorkSafeBC may be considered related.

Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Note 15 — Self-insured employers (\$ thousands)

	2005	2004
Current premium income (Note 3).....	48,749	58,642
Claim costs		
Short-term disability.....	13,154	12,236
Long-term disability.....	18,413	21,831
Survivor benefits.....	1,875	3,133
Health care.....	9,298	11,930
Vocational rehabilitation.....	(140)	1,042
Claim administration.....	6,355	6,708
	48,955	56,880
Share of special reserves costs.....	3,558	4,314
Operating costs.....	6,044	6,201
	58,557	67,395
Share of investment income.....	(9,808)	(8,753)
	48,749	58,642

Included in the benefit liabilities is \$203 million (2004 — \$202 million) for self-insured employers (except for the federal government). An equivalent amount is included in receivables

because these liabilities will be paid by those employers in future years, hence they do not affect WorkSafeBC's unfunded liability.

Note 16 — Lease commitments (\$ thousands)

WorkSafeBC has several operating leases relating to computer equipment and office spaces. The future lease payments expected to be charged against operating costs over the next five years are as follows:

2006.....	8,111
2007.....	7,169
2008.....	6,090
2009.....	6,109
2010.....	6,208
	33,687

Note 17 — Comparative figures

Certain 2004 figures have been reclassified to conform with the current year's presentation.



Eckler Partners Ltd.

Actuary's Opinion

The liabilities included herein have been computed by the Workers' Compensation Board (WCB) in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with the WCB's financial statements.

The liabilities under Pension Awards, Capitalized Values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2006. They have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2004. A net interest rate of 4.5% was used to discount pensions. This rate makes implicit provision for the future indexing of pensions on the assumption that investment earnings on WCB assets will exceed increases in the Consumer Price Index (CPI) by 3.5% per year, over the long term, and that indexing will be provided at CPI minus 1%.

The Provision for Unfinalled Claims represents the liabilities for future claims costs in respect of injuries which occurred during 2005 and prior years, including future pensions other than those already in payment, and future claims administration expenses. It is based on projections of future claims payments and awards using ratios developed from the WCB's claims experience, average benefit rates, the net interest rate above and, where applicable, the mortality and other assumptions used for computing pension liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at December 31, 2004.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practice, and the resulting amounts set out below make reasonable provision, as at December 31, 2005, for the future benefits expenditures of the WCB in respect of injuries to December 31, 2005.

(\$,000's)

	Pension Awards, Capitalized Values	Provision for Unfinalled Claims	Total
Benefit Liabilities:			
Short-term Disability	—	312,082	312,082
Long-term Disability	3,246,996	2,262,164	5,509,160
Survivor Benefits	729,305	76,050	805,355
Health Care	—	1,224,571	1,224,571
Vocational Rehabilitation	—	235,527	235,527
Claims Administration	—	489,879	489,879
	3,976,301	4,600,273	8,576,574

Jacob Levi, F.S.A., F.C.I.A.
Actuaries with the firm of Eckler Partners Ltd.

Richard A. Border, F.I.A., F.C.I.A.

March 10, 2006

Ten-year Summary of Financial Statements (smoothed basis)

Unaudited

Balance sheet

As at December 31 (\$ thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Assets										
Receivables.....	551,121	508,035	458,703	427,728	405,547	407,531	369,830	404,165	448,336	462,460
Portfolio investments.....	8,939,069	8,320,084	7,879,525	7,499,966	7,899,120	7,686,138	7,108,502	6,505,445	5,907,252	5,408,592
Capital assets.....	136,068	139,686	142,180	150,906	162,037	170,501	167,365	136,019	110,142	96,024
	9,626,258	8,967,805	8,480,408	8,078,600	8,466,704	8,264,470	7,645,697	7,045,629	6,465,730	5,967,076
Liabilities and net fund surplus (deficiency)										
Payables and accruals.....	231,073	201,604	202,895	195,854	172,253	244,919	94,500	102,527	93,606	95,056
Benefit liabilities.....	8,576,574	8,412,023	8,269,650	8,029,158	7,870,287	7,308,582	6,915,660	6,542,161	6,257,860	6,187,528
Total liabilities.....	8,807,647	8,613,627	8,472,545	8,225,312	8,042,540	7,553,501	7,010,160	6,644,688	6,351,466	6,282,584
Reserves.....	440,000	260,000	260,000	260,000	290,000	290,000	502,000	332,000	70,000	40,000
Unappropriated balance (unfunded liability).....	378,611	94,178	252,137	406,712	134,164	420,969	133,537	68,941	44,264	355,508
Net fund surplus (deficiency).....	818,611	354,178	7,863	146,712	424,164	710,969	635,537	400,941	114,264	315,508
	9,626,258	8,967,805	8,480,408	8,078,600	8,466,704	8,264,470	7,645,697	7,045,629	6,465,730	5,967,076

Statement of operations and unappropriated balance (unfunded liability)

For the year ended December 31 (\$ thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Income										
Premiums.....	1,239,777	1,175,089	1,077,383	1,019,250	916,378	872,331	880,415	918,832	992,161	1,000,308
Investments.....	622,118	522,072	495,937	223,798	585,716	783,429	858,409	701,857	644,688	533,745
	1,861,895	1,697,161	1,573,320	793,452	1,502,094	1,655,760	1,738,824	1,620,689	1,636,849	1,534,053
Expenses										
Claim costs.....										
Short-term disability.....	209,774	205,206	199,508	253,019	308,329	338,276	341,832	298,832	267,482	256,822
Long-term disability.....	504,081	459,094	691,555	738,273	742,605	653,882	524,182	428,029	425,089	467,479
Survivor benefits.....	87,844	70,996	76,370	85,885	69,463	55,977	43,665	58,036	56,802	58,907
Health care.....	281,873	299,763	170,345	237,623	221,349	230,031	264,187	245,523	203,062	178,607
Vocational rehabilitation.....	1,550	15,544	34,492	130,490	117,330	106,037	77,839	66,929	47,285	68,371
Claim administration.....	180,936	165,262	191,662	178,985	189,618	135,898				
Extraordinary adjustments to revalue liabilities ¹	—	—	75,546	411,674	—	75,357				
	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349	999,720	1,030,186
Operating and prevention costs.....										
Operating.....	258,983	256,780	257,411	278,134	250,775	227,768	205,104	194,037	171,311	161,641
Prevention.....	41,849	44,006	38,452	40,418	44,067	45,714	47,419	42,626	36,046	32,576
Less: Claim administration costs.....	(169,428)	(165,805)	(165,504)	(161,825)	(154,637)	(135,898)				
	131,404	134,981	130,359	156,727	140,205	137,584	252,523	236,663	207,357	194,217
	1,397,462	1,350,846	1,418,745	1,366,328	1,788,899	1,582,328	1,504,228	1,334,012	1,207,077	1,224,403
Surplus (deficiency) from operations....	464,433	346,315	154,575	570,876	286,805	75,432	234,596	286,677	429,772	309,650
Unappropriated balance (unfunded liability).....										
January 1.....	94,178	252,137	406,712	134,164	420,969	133,537	68,941	44,264	(355,508)	(665,158)
	558,611	94,178	(252,137)	(406,712)	134,164	208,969	303,537	330,941	74,264	(355,508)
Appropriation to Research Reserve.....	(30,000)	—	—	30,000	—	—	—	—	30,000	—
Appropriation to Investment Fluctuation Reserve.....	(150,000)	—	—	—	—	—	—	—	—	—
Appropriation to Future Claim Administration Reserve.....	—	—	—	—	—	212,000	—	(212,000)	—	—
Appropriation to Latent Occupational Disease Reserve.....	—	—	—	—	—	—	150,000	50,000	—	—
Appropriation to Earthquake Disaster Reserve.....	—	—	—	—	—	—	20,000	—	—	—
Unappropriated balance (unfunded liability) — December 31	378,611	94,178	(252,137)	(406,712)	134,164	420,969	133,537	68,941	44,264	(355,508)

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

1 The extraordinary adjustments to revalue liabilities relates to the following items: Bill 37 in 2003, and Bill 49 and mortality assumption changes in 2002.

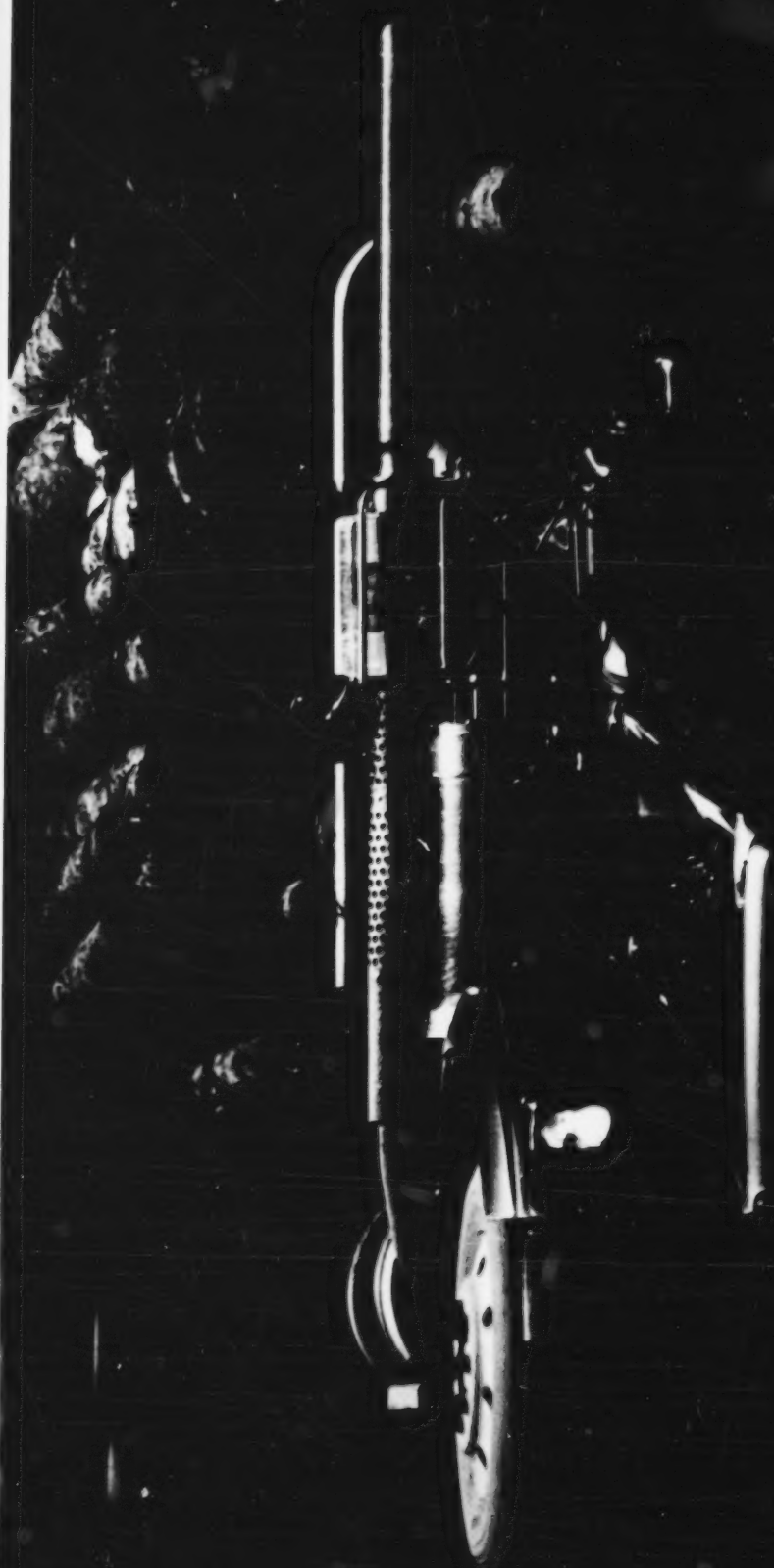
Supplementary financial information \$ thousands	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Property, plant, and equipment expenditures	22,041	25,459	18,882	17,240	27,480	33,936	55,540	38,240	33,815	12,584
Special reserves costs included in claim costs	101,215	112,060	154,263	114,234	120,774	98,946	92,443	81,319	62,211	77,644
Claim costs										
Current year's injuries	932,334	893,825	841,047	933,688	990,697	968,515	850,988	831,110	777,807	699,617
Prior years' injuries	333,724	322,040	522,885	690,587	657,997	476,229	400,717	266,239	221,913	330,569
Legislative and mortality assumption changes	—	—	75,546	414,674	—	—	—	—	—	—
	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349	999,720	1,030,186
Claim costs										
Payments ¹	1,101,507	1,073,492	1,048,195	1,050,430	1,086,991	1,051,822	878,206	813,048	929,388	687,680
Change in benefits liabilities	164,551	142,373	240,191	159,171	561,703	392,922	373,499	284,301	70,332	342,506
	1,266,058	1,215,865	1,288,386	1,209,601	1,648,694	1,444,744	1,251,705	1,097,349	999,720	1,030,186
Statistics										
Claims first reported ²	164,443	156,793	152,097	156,804	169,498	181,637	175,789	177,234	183,591	186,848
Claims accepted ³	127,811	121,440	120,470	119,727	130,323	140,020	136,741	144,380	148,144	145,278
Claims disallowed ⁴	10,634	9,432	9,031	9,609	10,753	11,211	9,724	8,139	8,358	9,370
Claims rejected ⁵	1,967	1,768	1,591	1,798	1,728	2,144	1,889	1,884	1,733	1,538
Claims disallowed as a proportion of claims reported ⁶	6.3%	6.0%	5.9	6.1%	6.3%	6.2%	5.5%	4.6%	4.6%	5.0%
Injury rate: number of short-term disability claims per 100 person-years of employment	3.09	3.06	3.05	3.24	3.65	3.87	4.05	4.24	4.42	4.50
Short-term duration of claim days paid per claim ⁷										
in injury year	26.3	26.9	26.6	26.2	26.8	26.2	26.5	25.9	24.0	22.7
total of all years	47.3	48.1	46.7	47.2	49.4	49.6	51.5	46.8	41.8	39.4
Prevention inspection reports issued ⁸ ..	20,267	15,913	16,310	21,736	28,648	31,063	34,264	32,737	35,894	41,548
Prevention worksite activity hours ⁹	205,765	202,125	223,321	260,740	277,319	271,951	251,633	276,268	212,121	225,889
Employers registered	184,239	179,257	173,008	171,583	169,650	166,501	164,963	159,036	153,499	149,582
Average premium rate \$ ¹⁰										
published rate										
base rate	1.97	2.06	2.05	2.03	2.02	2.31	—	—	—	—
surplus abatement and transition capping	(0.11)	0.15	0.13	0.13	0.23	0.40	—	—	—	—
collection rate	1.86	1.91	1.92	1.90	1.79	1.91	—	—	—	—
actual final collection rate	1.99	1.99	1.94	1.88	1.78	1.73	1.88	2.01	2.22	2.29
Investment return of portfolio ¹¹ (%)										
total return: market yield	12.5	10.3	13.4	2.4	0.9	5.1	9.8	11.0	13.9	16.6
accounting return: yield on average value of portfolio	7.2	6.4	6.4	2.8	7.5	10.6	12.6	11.3	11.4	10.5
real return: yield in excess of inflation ¹¹	4.6	4.1	4.8	6.0	5.6	7.8	10.3	10.3	9.9	8.7
Percent funded: ratio of assets to total liabilities ¹¹ (%)	109	104	100	98	105	109	109	106	102	95

Note: Refinements in measurement approach have resulted in minor changes in previously reported figures in some cases.

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

- 1 In 1997, benefit payments include payments of approximately \$209 million to widows in respect of retroactive portion of reinstated pensions. Changes in actuarial valuations show a corresponding credit to reflect the reduction of the retroactive liability.
- 2 Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported.
- 3 Claims accepted include claims accepted for health-care-only benefits.
- 4 Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.
- 5 Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, accounts from physicians submitted in error to WorkSafeBC.
- 6 Reported claims that are not accepted, disallowed, or rejected are either suspended claims or "phantom" claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. Phantom claims are accident reports that are not claims for benefits.
- 7 Duration numbers for all 10 years now exclude days paid as vocational rehabilitation days. The durations now include only short-term disability days.
- 8 These reports represent the number of inspections conducted.
- 9 Worksite activities include Worker and Employer Services and Investigations field officers' staff time spent on inspections, education, consultation, investigations, and other industry worker services.
- 10 The published rate is the rate announced at the time the assessment rates are set. It consists of the base rate reduced by both the pre-2000 subclass surplus abatement and transition capping of rate increases from the old to new classification structure. This reduction will largely disappear after 2004. The actual final collection rate differs from the published collection rate due to changes in payroll distribution by industries over time and refinement of estimates.
- 11 Inflation is the change in the all Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

Forestry



“To stop the loss of lives, we need a lot of people to do things differently, think differently, and behave differently.”

**— David Anderson, President and CEO,
WorkSafeBC**

BC's forests are a precious resource. They're ecologically diverse and contribute millions of dollars to the provincial economy. They're quiet, peaceful retreats. But for some, the forest is a deadly place.

For generations, workers have been dying in the forest — 1,132 since 1902. From 1993 to 2002, an average of 7.2 people died each year. In 2003, 26 workers lost their lives. Sixteen more died in 2004. Last year, the death toll escalated. WorkSafeBC received 69 fatal claims in logging, wood mills, and log handling — the highest incidence of fatalities since 1993.

The sector's extreme rate of injury and death drew broad public attention a few years ago — reaching a tipping point in 2005. Since then, government, industry associations, unions, workers, employers, business competitors, independent operators, insurers, and WorkSafeBC have joined forces to find solutions to the problems in forestry.

These solutions call for sweeping changes to stop the disturbing trend of death and injury. For its part, WorkSafeBC is fully invested in making a difference through industry partnerships and joint ventures such as TruckSafe, FallSafe, and the Fallen Certification Program.

WorkSafeBC's most aggressive forestry initiative to date came last year with the launch of the Forest Compliance Strategy, a program that involves all partners and emphasizes shared responsibility and accountability through consultation, education, and increased enforcement. While it promotes consultation and education, WorkSafeBC won't hesitate to use its enforcement authority and apply severe penalties when employers put their workers at risk.

Now and in the future, the forestry sector can expect to be under much closer scrutiny. With the toll that forestry is taking on society, it simply can't be any other way.

Appendices

Appendix A: Linking Costs with Goals and Strategies

In developing the operating budget each year, the Board of Directors and Senior Executive Committee seek to achieve an optimal balance of funding in support of WorkSafeBC's strategic goals. However, because WorkSafeBC's goals are extremely broad and supported by a number of programs, initiatives, and responsibilities, shared among various departments and divisions across the organization, it is difficult to fully segment expenditures according to each individual goal (or its associated objectives).

In recent years, WorkSafeBC has increasingly become an integrated, matrix-based organization where lines of business are often interconnected and most programs and initiatives relate to more than one strategic goal. As such, allocating budget dollars by goal or function could be misleading. Launching a new prevention initiative, for example, may contribute to WorkSafeBC's goal of improving occupational health and safety in the workplace, but it also contributes to WorkSafeBC's goal of maintaining financial sustainability and stability, and influences other goals as well. Further, the same initiative will likely involve significant contributions from more than one division.

It is possible to break down WorkSafeBC's annual expenditures by general business activities, which are closely associated with groups of strategic goals (as outlined in the table on the next page), but it is important to note that such categorization is not exhaustive. These areas of expenditure are accompanied by a ratio, or contextual measure, to help put WorkSafeBC's expenditures in perspective. These ratios are being refined and will be further developed in future annual reports and service plans.

The relationship between costs and performance outcomes

Although the areas of expenditure on the next page are linked with groups of strategic goals, changes in costs are not always directly or immediately related to changes in outcomes. An increasing injury rate, for example, may trigger an increase in expenditures to prevent injuries. Over time, as the effects of those expenditures bear results, performance may improve but in the short run, costs may rise while apparent outcomes are falling. In terms of claim administration, reducing administrative expenditures by too much may increase claim duration and delay return to work, thus increasing the overall cost to the system. Such examples illustrate the limitations of the relationships outlined in the following table.

Area of expenditure	Strategic goals most directly influenced	Context
Prevention — \$42 million or 3.0 percent of total costs in 2005	Goal #1: Foster the improvement of occupational health and safety in workplaces Goal #4: Maintain financial sustainability and stability	Based on 2 million full-time equivalent work years and an average of 2,000 hours of paid work in a year, prevention expenditures account for just over \$0.01 per paid hour worked in B.C. in 2005 (\$0.01 in 2004)
Claim costs — \$1.1 billion or 78.5 percent of total costs in 2005	Claim costs are not expended to achieve a specific strategic goal, but are part of WorkSafeBC's legislated mandate	Claim costs account for approximately \$0.27 per paid hour worked in B.C. in 2005 (\$0.28 in 2004)
Customer service and infrastructure — \$162 million or 11.6 percent of total costs in 2005	Goal # 2: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal # 3: Improve cost-effectiveness and accountability of the services we deliver Goal #4: Maintain financial sustainability and stability	Customer service and infrastructure costs represented about \$0.04 per paid hour worked in B.C. in 2005 (\$0.04 in 2004)
Corporate services (financial management, policy development, governance, corporate services etc.) — \$61 million or 4.4 percent of total costs in 2005	Goal # 2: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal # 3: Improve cost-effectiveness and accountability of the services we deliver Goal #4: Maintain financial sustainability and stability	Corporate service costs represented about \$0.02 per paid hour worked in B.C. in 2005 (\$0.02 in 2004)
External appeals and workers' and employers' adviser services — \$35 million or 2.2 percent of total costs in 2005	Goal # 2: Improve service to stakeholders a) Improve satisfaction, accessibility, and public confidence b) Improve adjudicative decision making throughout the divisions, ensuring consistency with the legislation Goal # 3: Improve cost-effectiveness and accountability of the services we deliver	Workers and employers benefit from the advisory services provided by the Ministry of Labour and Citizens' Services and the appeal services offered by the Workers' Compensation Appeal Tribunal (both are funded by WorkSafeBC) — either directly or through the education, outreach, and dialogue they provide. The value of these services, therefore, extends well beyond the direct number of cases served to affect virtually all claims in the system. Costs associated with the external appeals and adviser systems were about \$93 per claim file handled by the workers' compensation system in 2005 (\$103 in 2004).

Appendix B: Comparing Results with Other Jurisdictions

Making direct comparisons between WorkSafeBC's performance results and the results from other Canadian workers' compensation organizations is difficult, largely due to the differing legal requirements, policies, and operating issues within each jurisdiction.

To help overcome this challenge, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key performance indicators used by WorkSafeBC; however, in some cases it is possible to provide approximate comparisons of performance. All comparisons must be made using 2004 data, which is the most current information available at the time of publication.

Key objective #1:

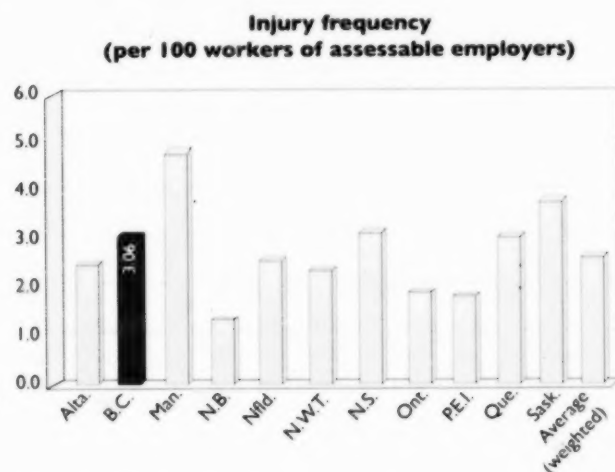
Reduce the provincial injury rate

2005 target: 3.04 injuries or less per 100 person-years of employment

2005 result: 3.09 injuries per 100 person-years of employment (see page 20)

2006-2008 targets: 3.02 or less, 2.95 or less, 2.83 or less

Related comparison: The AWCBC publishes an annual comparison of injury frequency using a standardized calculation. Injury frequency is not directly comparable between provinces because injury rates are influenced by the mix of industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces as published in December 2005 (based on 2004 source data).



Source: AWCBC, *Key Statistical Measures 2004*,
www.awcbc.org/english/board_pdfs/2004KSMs.pdf

(Data not available for the Yukon)

Key objective #2:

Reduce the average short-term claim duration

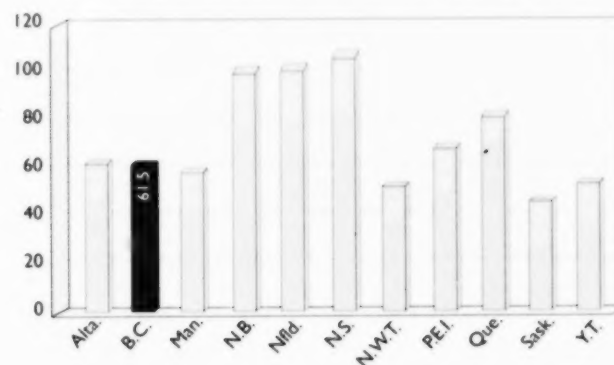
2005 target: 17.7 days

2005 result: 17.3 days (see page 22)

2006-2008 targets: 16.8 days, 16.3 days, 16.0 days

Related comparison: The AWCBC publishes an annual comparison of claim duration using a standardized calculation. Claim duration measured by the AWCBC is not the same as claim duration measured by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation while WorkSafeBC's measure does not, and the AWCBC measure expresses duration in calendar days whereas WorkSafeBC's measure expresses duration in work days. In addition, the AWCBC measure is not directly comparable between jurisdictions, as the duration of disability is influenced by the mix of industries and economic factors in each province. The following chart reflects the average composite claim duration in calendar days for all provinces as published in December 2005 (based on 2004 source data).

Average composite duration of claim (in days)



Source: AWCBC, *Key Statistical Measures 2004*,
www.awcbc.org/english/board_pdfs/2004KSMs.pdf

(Data not available for Ontario)

Key objective #3:

Improve return-to-work outcomes for workers in vocational rehabilitation

Related comparison: There is no comparable data available.

Key objective #4:

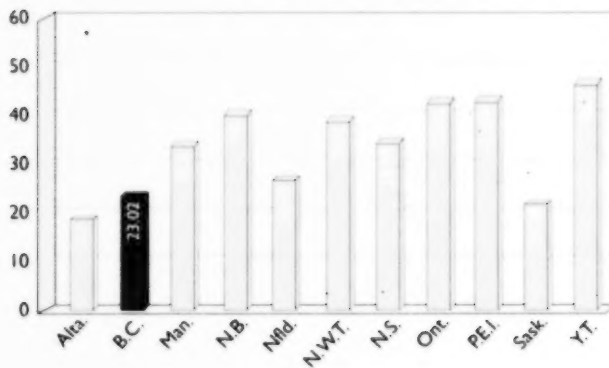
Improve timeliness of initial short-term disability payments

2005 target: 17.5 days

2005 result: 17.7 days see page 25

2006-2008 targets: 17.5 days, 17.5 days, 17.0 days

Average calendar days from injury to first payment issued



Related comparison: The AWCBC publishes an annual comparison of timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The following chart reflects the average calendar days from date of injury to date of first payment as published in December 2005, based on 2004 source data.

Source: AWCBC, *Key Statistical Measures 2004*.

www.awcbc.org/english/board_pdfs/2004KSMS.pdf

(Data not available for Quebec)

Key objective #5:

Improve injured workers' rating of overall service

Related comparison: There is no comparable data available.

Key objective #6:

Improve employers' rating of overall service

Related comparison: There is no comparable data available.

Key objective #7:

Raise public confidence

2005 target: 77 percent positive public perception

2005 result: 77 percent positive public perception see page 29

2006-2008 targets: 79 percent, 80 percent, 81 percent

Related comparison: To track public confidence, WorkSafeBC hires Ipsos Reid to survey B.C. residents at least four times a year. Respondents are asked if WorkSafeBC, the Workers' Compensation Board, makes a positive or negative contribution to the province. The major indicator of success is the degree to which British Columbians think WorkSafeBC makes a positive contribution. As with all surveys, sample size, respondent variation, and issues prevalent in the media can influence the results. In 2005, seven surveys were conducted with between 72.6 percent and 86.9 percent of those expressing an opinion giving WorkSafeBC a positive public contribution rating. The average score from the nearly 5,000 responses was 77 percent positive for the year.

To provide a general comparison, WorkSafeBC uses a weighted average score of other large public and private B.C. organizations including WorkSafeBC, based on a similar survey question administered by Ipsos Reid in a separate survey. Although the question asked in this survey is similar to that asked by WorkSafeBC, the survey is conducted only once a year in March and is limited in sample size. In 2005, the weighted average score from this survey was 71 percent positive. WorkSafeBC was one of the organizations included in the Ipsos Reid benchmark survey, and of the 753 responders who expressed an opinion during the March survey period, 44.59 percent rated the overall contribution as either very or somewhat positive.

Appendix B: Comparing Results with Other Jurisdictions

Making direct comparisons between WorkSafeBC's performance results and the results from other Canadian workers' compensation organizations is difficult, largely due to the differing legal requirements, policies, and operating issues within each jurisdiction.

To help overcome this challenge, the Association of Workers' Compensation Boards of Canada (AWCBC) compiles a set of standardized financial and statistical indicators using data collected from all Canadian jurisdictions, including WorkSafeBC. Most of these indicators are not directly comparable with the 11 key performance indicators used by WorkSafeBC; however, in some cases it is possible to provide approximate comparisons of performance. All comparisons must be made using 2004 data, which is the most current information available at the time of publication.

Key objective #1: Reduce the provincial injury rate

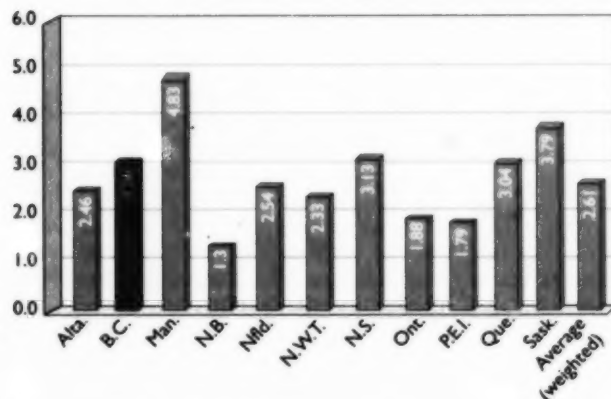
2005 target: 3.04 injuries or less per 100 person-years of employment

2005 result: 3.09 injuries per 100 person-years of employment (see page 20)

2006-2008 targets: 3.02 or less, 2.95 or less, 2.83 or less

Related comparison: The AWCBC publishes an annual comparison of injury frequency using a standardized calculation. Injury frequency is not directly comparable between provinces because injury rates are influenced by the mix of industries present in each jurisdiction. The following chart reflects the relative injury frequency for all provinces as published in December 2005 (based on 2004 source data).

**Injury frequency
(per 100 workers of assessable employers)**



Source: AWCBC Key Statistical Measures 2004,
www.awcbc.org/english/board_pdfs/2004KSMs.pdf

(Data not available for the Yukon)

Key objective #2: Reduce the average short-term claim duration

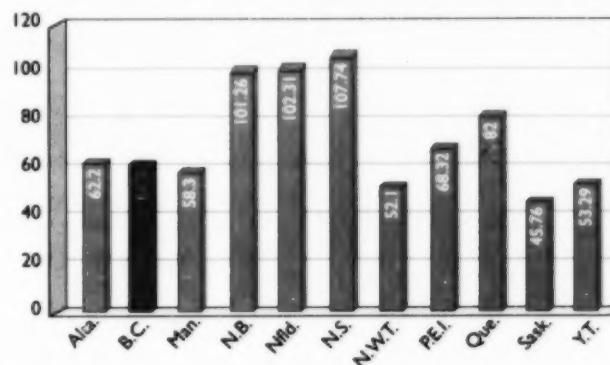
2005 target: 47.7 days

2005 result: 47.3 days (see page 22)

2006-2008 targets: 46.8 days, 46.3 days, 46.0 days

Related comparison: The AWCBC publishes an annual comparison of claim duration using a standardized calculation. Claim duration measured by the AWCBC is not the same as claim duration measured by WorkSafeBC. For example, the AWCBC measure includes wage-loss benefits paid to workers in vocational rehabilitation while WorkSafeBC's measure does not, and the AWCBC measure expresses duration in calendar days whereas WorkSafeBC's measure expresses duration in work days. In addition, the AWCBC measure is not directly comparable between jurisdictions, as the duration of disability is influenced by the mix of industries and economic factors in each province. The following chart reflects the average composite claim duration in calendar days for all provinces as published in December 2005 (based on 2004 source data).

Average composite duration of claim (in days)



Source: AWCBC Key Statistical Measures 2004,
www.awcbc.org/english/board_pdfs/2004KSMs.pdf

(Data not available for Ontario)

Key objective #3:**Improve return-to-work outcomes for workers in vocational rehabilitation**

Related comparison: There is no comparable data available.

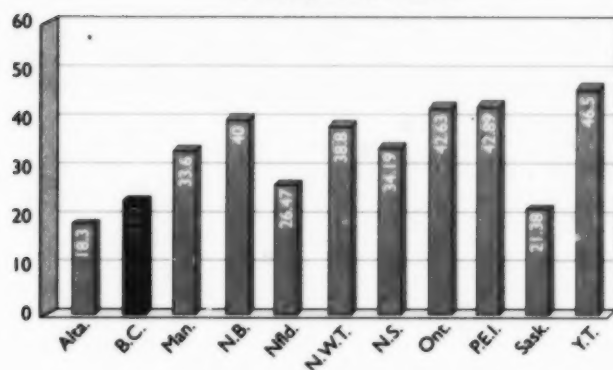
Key objective #4:**Improve timeliness of initial short-term disability payments**

2005 target: 17.5 days

2005 result: 17.7 days (see page 25)

2006-2008 targets: 17.5 days, 17.5 days, 17.0 days

Average calendar days from injury to first payment issued



Related comparison: The AWCBC publishes an annual comparison of timeliness of initial short-term disability payments using a standardized calculation that is slightly different from WorkSafeBC's method of calculation. The following chart reflects the average calendar days from date of injury to date of first payment as published in December 2005 (based on 2004 source data).

Source: AWCBC Key Statistical Measures 2004,
www.awcbc.org/english/board_pdfs/2004KSMS.pdf

(Data not available for Quebec)

Key objective #5:**Improve injured workers' rating of overall service**

Related comparison: There is no comparable data available.

Key objective #6:**Improve employers' rating of overall service**

Related comparison: There is no comparable data available.

Key objective #7:**Raise public confidence**

2005 target: 77 percent positive public perception

2005 result: 77 percent positive public perception (see page 29)

2006-2008 targets: 79 percent, 80 percent, 81 percent

Related comparison: To track public confidence, WorkSafeBC hires Ipsos Reid to survey B.C. residents at least four times a year. Respondents are asked if WorkSafeBC (the Workers' Compensation Board) makes a positive or negative contribution to the province. The major indicator of success is the degree to which British Columbians think WorkSafeBC makes a positive contribution. As with all surveys, sample size, respondent variation, and issues prevalent in the media can influence the results. In 2005, seven surveys were conducted with between 72.6 percent and 86.9 percent of those expressing an opinion giving WorkSafeBC a positive public contribution rating. The average score from the nearly 5,000 responses was 77 percent positive for the year.

To provide a general comparison, WorkSafeBC uses a weighted average score of other large public and private B.C. organizations (including WorkSafeBC), based on a similar survey question administered by Ipsos Reid in a separate survey. Although the question asked in this survey is similar to that asked by WorkSafeBC, the survey is conducted only once a year in March and is limited in sample size. In 2005, the weighted average score from this survey was 71 percent positive. WorkSafeBC was one of the organizations included in the Ipsos Reid benchmark survey, and of the 753 responders who expressed an opinion during the March survey period, 444 (59 percent) rated the overall contribution as either very or somewhat positive.

Key objective #8:

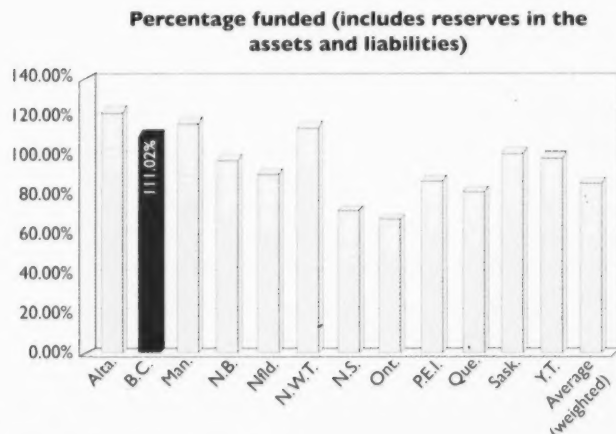
Achieve an accident fund ratio in the range of 100 to 130 percent

2005 target: 105 percent

2005 result: 109 percent (see page 30)

2006–2008 targets: 115 percent, 117 percent, 119 percent

Related comparison: The AWCBC calculates the “percentage funded” for each Canadian workers’ compensation system according to a standardized formula, which includes reserves with the liabilities. The following chart shows the average funding level of each provincial workers’ compensation system, published in December 2005, as valued on a market value basis (based on year-end 2004 data).



Source: AWCBC Key Statistical Measures 2004.

www.awcbc.org/english/board_pdfs/2004KSMs.pdf

Key objective #9:

Attain an aggregate premium rate between \$1.25 and \$2.25 per \$100 of assessable payroll

2005 target: \$1.37–\$1.97 before transition and surplus¹

2005 result: \$1.99–\$2.07 before transition and surplus (see page 31)

2006–2008 targets: \$1.92, \$1.82, \$1.71

Related comparison: Average premium rates for other jurisdictions in 2005, based on published reports and announced projections, were \$1.33 in Alberta, \$2.19 in Ontario, and \$2.27 in Quebec. The following table lists average premium rates in B.C. and these jurisdictions over the past 10 years.

B.C.	1.97	0.17	9%
Alberta	1.52	0.31	20%
Ontario	2.40	0.30	13%
Quebec	2.21	0.26	12%

Source: Provincial workers’ compensation annual reports.

¹ For information about transition and surplus, see page 32.

Key objective #10:

Control administration costs (per \$100 of assessable payroll)

2005 target: \$0.36 per \$100 of assessable employer payroll

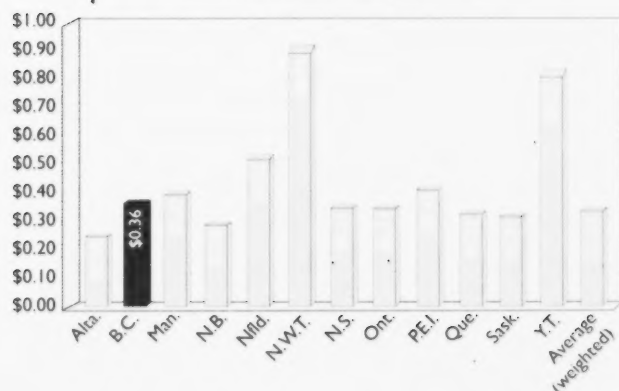
2005 result: \$0.36 per \$100 of assessable employer payroll

see page 33

2006-2008 targets: \$0.37, \$0.37, \$0.35

Related comparison: The AWCBC calculates administration costs per \$100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per \$100 of assessable employer payroll for each provincial jurisdiction as published in December 2005, based on year-end 2004 data.

**Administration costs per \$100
of assessable payroll**



Source: AWCBC, *Indicator Ratios 2004*.

www.awcbc.org/english/board_files/2004IndicatorRatios.pdf

Key objective #11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: There is no comparable data available.

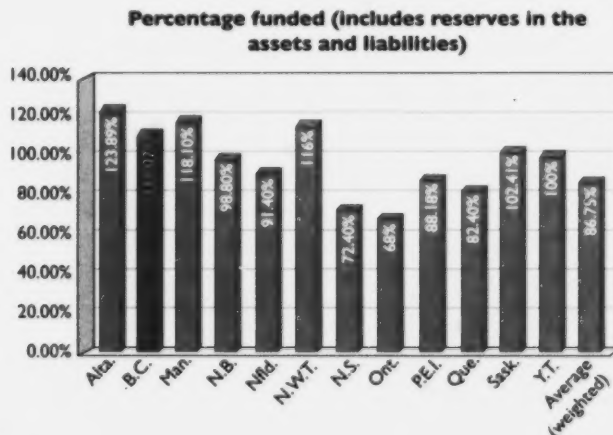
Key objective #8:**Achieve an accident fund ratio in the range of 100 to 130 percent**

2005 target: 105 percent

2005 result: 109 percent (see page 30)

2006-2008 targets: 115 percent, 117 percent, 119 percent

Related comparison: The AWCBC calculates the "percentage funded" for each Canadian workers' compensation system according to a standardized formula, which includes reserves with the liabilities. The following chart shows the average funding level of each provincial workers' compensation system, published in December 2005, as valued on a market value basis (based on year-end 2004 data).



Source: AWCBC Key Statistical Measures 2004,
www.awcbc.org/english/board_pdfs/2004KSMS.pdf

Key objective #9:**Attain an aggregate premium rate between \$1.25 and \$2.25 per \$100 of assessable payroll**

2005 target: \$1.87 (\$1.97 before transition and surplus)¹

2005 result: \$1.99 (\$2.07 before transition and surplus) (see page 31)

2006-2008 targets: \$1.92, \$1.82, \$1.71

Related comparison: Average premium rates for other jurisdictions in 2005, based on published reports and announced projections, were \$1.83 in Alberta, \$2.19 in Ontario, and \$2.27 in Quebec. The following table lists average premium rates in B.C. and these jurisdictions over the past 10 years.

Province	Ten-year average	Standard deviation	Standard deviation as percent of average
B.C.	1.97	0.17	9%
Alberta	1.52	0.31	20%
Ontario	2.40	0.30	13%
Quebec	2.21	0.26	12%

Source: Provincial workers' compensation annual reports

¹ For information about transition and surplus, see page 32.

Key objective #10:

Control administration costs (per \$100 of assessable payroll)

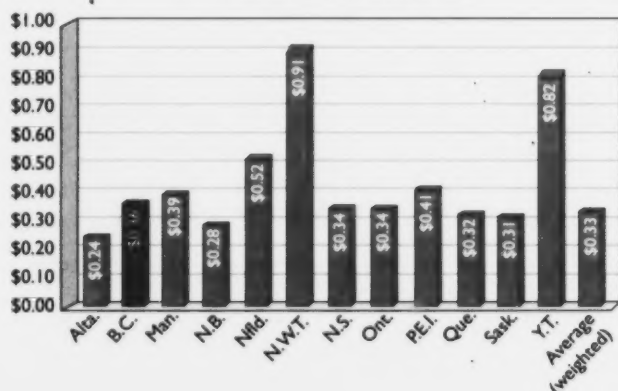
2005 target: \$0.36 per \$100 of assessable employer payroll

2005 result: \$0.36 per \$100 of assessable employer payroll
(see page 33)

2006-2008 targets: \$0.37, \$0.37, \$0.35

Related comparison: The AWCBC calculates administration costs per \$100 of assessable employer payroll according to a standardized formula. The following chart shows the administration costs per \$100 of assessable employer payroll for each provincial jurisdiction as published in December 2005 (based on year-end 2004 data).

**Administration costs per \$100
of assessable payroll**



Source: AWCBC Indicator Ratios 2004,

www.awcbc.org/english/board_pdfs/2004IndicatorRatios.pdf

Key objective #11:

Improve decision making throughout WorkSafeBC, ensuring consistency with legislation and policy

Related comparison: There is no comparable data available.

Appendix C: Operating Environment

WorkSafeBC operates in a complex and changing environment where new threats can arise at any time. Risks to the financial and operational integrity of WorkSafeBC require ongoing monitoring and assessment through annual enterprise risk-management reviews, environmental scanning, and business continuity planning.

The following section outlines some of the major risk factors that WorkSafeBC faced in 2005 — and will continue to face over the next three years.

External factors

The economy and labour force

Economic expansion in the B.C. economy has important consequences for WorkSafeBC. In particular, the growth and pace of activity in the construction industry — as a result of preparations for the 2010 Olympics, a robust housing market, and other projects involving pipelines and infrastructure — puts pressure on the labour force. While this activity provides new job opportunities for young, inexperienced workers and seasoned workers moving to other areas of the sector, it also increases the risk of injury.

The forestry industry continues to undergo restructuring. The economic realities of global competition and slim profit margins may be contributing to increased injuries in the sector; safety and health issues may get pushed from the forefront in some workplaces as firms respond to pressures to increase productivity. However, a number of initiatives are currently underway to strengthen injury-prevention programs in this sector.

Injury rate and severity

While injury rates have declined in absolute terms in most sectors, the overall rates have levelled off or are increasing, due to changes in the industrial mix. WorkSafeBC anticipated this trend and has adjusted its strategic plan accordingly, with investments in specific initiatives.

Severe injury rates have persisted in some sectors. Given that adherence to safe work procedures can reduce injury rates and the severity of injuries, WorkSafeBC intends to reinforce compliance through education and consultation through all communication channels.

The length of an injury-related work absence generally increases with the severity of the injury, and it can also contribute to more permanent disability. Therefore, WorkSafeBC's case management and vocational rehabilitation departments will continue to focus on early and safe return to work in an effort to limit worker disability.

Occupational and environmental diseases

The ratio of traumatic to occupational disease claims has been changing, with a significant increase in fatality claims from exposure to disease agents. This trend is due, in part, to greater recognition of occupational diseases, improved detection, and increased reporting.

Past exposure to asbestos continues to debilitate workers, and research indicates that not all detected work-related asbestos diseases are reported, nor are they always attributed to work causes. Research also indicates that many other cancers may be work related. As with many long-latency diseases, until a connection between work and a particular disease is clearly established, adjudicating and accepting such claims remains a difficult, case-by-case consideration.

Continued research will likely confirm that many other work and environmental agents are factors in disease, and this research will help to mitigate the risks of disease in the workplace. As private disability plans and public health care systems continue to experience growth in costs, and as WorkSafeBC continues to receive increased claims for occupational disease, the need to attribute work-related disease properly becomes a more urgent issue. Where possible, workers and employers will be informed of the risk of work-related disease in order to reduce and eliminate further exposures.

Capacity and access in the health care system

Continued wait times in the health care system increase the human, societal, and financial costs of work-related injury. However, WorkSafeBC helps workers access improved and expedited care through both public and private health care facilities. While WorkSafeBC prefers to use the public health care system whenever possible, the benefits of private expedited care — to both workers and employers — are self-evident. If, however, recovery and return-to-work outcomes become less efficient in the private system, any advantage may be lost. This is a significant risk and one that WorkSafeBC is examining with the University of British Columbia's Centre for Health Services and Policy Research. Any deterioration in capacity or access to health care resources in the system will have a negative impact on workers, employers, and the workers' compensation system as a whole.

To help determine the effectiveness of treatment provided by WorkSafeBC's external health care partners (public and private), WorkSafeBC monitors the success and satisfaction of participants in work conditioning and occupational rehabilitation programs. In addition, WorkSafeBC quality assurance supervisors oversee the network of health care providers from a quality perspective, regularly visiting external sites to help

ensure compliance with WorkSafeBC standards for appropriate professional treatment. WorkSafeBC also conducts retrospective audits throughout the year to ensure fiscal accountability and the appropriateness of clinical care provided.

Internal factors

Reorganization and staffing

WorkSafeBC continued its organizational restructuring in 2005, realigning departments to provide improved service and meet the demands of increased claims. A top priority was to address the totally unacceptable situation of increased injuries and fatalities in the forestry sector.

If the current injury rates remain constant, particularly in sectors like construction and transportation and warehousing, the anticipated growth in the economy will result in an ever-increasing number of injuries, bringing increased demand for skilled prevention, adjudication, and rehabilitation staff. As the job market becomes increasingly competitive, it will be difficult to recruit, train, and support the highly skilled staff required to meet this volume.

WorkSafeBC continues to invest in technology that will not only increase the efficiency of claim management (see below) but also contribute to more timely research; this research will detect trends and improve the focus and effectiveness of prevention activities.

To help address rising claim volumes and to improve service and operational performance in a number of key areas, WorkSafeBC will be adding 115 full-time equivalent positions to its current complement of 2,597 staff members.¹

Enterprise risk management, business continuity, and succession planning

WorkSafeBC's strategic framework mandates annual reviews of the risks the organization faces. The enterprise risk management system identifies, reviews, and rates risks. Wherever possible, mitigation strategies are implemented, including specific emergency responses and business continuity plans. In 2005, that included testing WorkSafeBC's response to external threats that could disrupt operations. Further testing is planned for 2006.

In 2005, there was heightened awareness of threats from infectious diseases that may result in a global pandemic. WorkSafeBC continues to work with other government agencies to prepare for any infectious disease events. WorkSafeBC, like every employer, has a duty to assess the risks and implement strategies to protect its workers. As a regulator and prevention agency, WorkSafeBC also has a responsibility to inform stake-

holders of their duties, rights, and obligations in the face of such threats.

WorkSafeBC planning processes include succession planning, backup training, and documentation of systems. Plans are also underway to analyze retirement patterns and identify job positions that are vulnerable because they rely on the specialized knowledge or skill of one individual.

Information technology and systems

Information technology is essential to the WorkSafeBC mandate, as is maintaining internal expertise to address the complex operational requirements.

In 2005, WorkSafeBC's Board of Directors committed significant capital expenditure to build and implement a Claims Management Solutions (CMS) program by mid-2007. The CMS program will automate and enhance claim management processes and service capability while producing significant savings both in claim costs and staffing levels. CMS will also provide greater capability and flexibility for delivering service through multiple channels and will provide more consistency in case management, which will improve the quality and credibility of information provided to injured workers.

The financial benefits of CMS include an internal rate of return of 35 percent, a payback period of 2.7 years from implementation date, and a net present value of \$150 million. During the year, an independent external consultant concluded that the project was sound and the goals were achievable within the proposed timeframe and budget. WorkSafeBC is working with IBM, Curam, and the Ontario Workplace Safety and Insurance Board to develop solutions that integrate workflow and decision making into a comprehensive system.

The utility of the final CMS product and acceptance by users will be critical to the success of the project. To that end, WorkSafeBC staff members are involved in development and receive weekly updates on the status of the project.

Ongoing reviews of WorkSafeBC's information technology systems also revealed the need for improved metrics as part of our ongoing management system.

Privacy and disclosure

WorkSafeBC is vigilant about the confidentiality of workers' compensation information, and deals swiftly with potential breaches and vulnerabilities. In 2005, the annual ethics review process reminded every employee of how serious WorkSafeBC is about protecting the privacy of its stakeholders.

¹ Includes all active full-time, part-time, job-sharing, and temporary employees, as of December 31, 2005.



Occupational Disease

**“I know I’m standing on the edge
of a slippery slope.”**

— Paul Douglas, injured worker

No one can prepare for the kind of news Paul Douglas received on February 22, 1999. That day, his doctor told him he had pleural mesothelioma, a highly malignant cancer linked to prolonged exposure to asbestos. Paul’s prognosis was grim: three to six months. Seven years later, Paul continues to defy the odds. He has turned his courageous battle against mesothelioma into a personal mission to better the lives of others, speaking publicly about occupational diseases at events such as the national Day of Mourning.

Like other men of his generation, Paul worked directly with and around asbestos throughout his career without being fully aware of its hazards. Even though asbestos was banned in Canada more than 30 years ago, it remains the number one occupational killer in B.C., linked with more than 4,000 cases of work-related deaths in 2000.

Given the long latency period of mesothelioma and asbestosis, a

chronic, debilitating disease, WorkSafeBC expects many more workers will become ill in the next 15 to 20 years, likely some of those who worked in the construction, transportation, and oil and gas industries during the 1940s, 60s, and 70s.

Like other occupational diseases, asbestosis and mesothelioma are preventable. That’s why last year WorkSafeBC partnered with health and housing agencies to launch an aggressive awareness campaign to alert people to the dangers of asbestos in older homes and raise awareness about a worker’s right to compensation for asbestos-related diseases.

Today, strong regulations are in place to protect workers against the dangers of asbestos. In spite of this, since 2000, WorkSafeBC has issued 11 penalties, 42 warning letters, and 223 orders to employers who negligently jeopardized the health of their workers.

To the workers of this province, no job is worth that risk.

Senior Executive Committee

David Anderson

President and Chief Executive Officer

Steve Barnett

Vice-President, Claims Management Solutions Division, and Assistant Chief Financial Officer

Ed Bates

General Counsel

Vaughan Bowser

Vice-President, Human Resources and Facilities Division

Brian Cooper

Chief Information Officer

Roberta Ellis

Vice-President, Policy, Investigations, and Review Divisions

Sidney Fattedad

Vice-President, Finance, Information Services, and Stakeholder Relations Division, and Chief Financial Officer

Diana Miles

Vice-President, Worker and Employer Services Division

Ian Munroe

Executive Director, Worker and Employer Services, Operations

Betty Pirs

Executive Director, Worker and Employer Services, Prevention

Online viewing

For an electronic copy of this report, visit our web site at **WorkSafeBC.com**.

Feedback

To comment on WorkSafeBC's 2005 *Annual Report and 2006-2008 Service Plan*, call Scott McCloy, Director of Communications, at 604 276-3113 or e-mail scott.mccloy@worksafebc.com.



Workplace Health and Safety is Everyone's Responsibility

All workers are entitled to safe and healthy work environments where hazards are properly minimized and controlled. Under the B.C. *Workers Compensation Act*, the primary responsibility for workplace health and safety rests with employers; but workers, supervisors, and other stakeholders have an important part to play as well. The key to maintaining a safe and healthy workplace lies in joint action — everyone working together to fulfill their responsibilities and mitigate the risk of injury, illness, disease, and death.

Employer responsibilities

- Provide a safe and healthy workplace.
- Ensure that workers are adequately trained.
- Keep written records of training (who, what, when).
- Establish and maintain a comprehensive occupational health and safety program, including a written health and safety policy and an incident investigation procedure.
- Support supervisors, safety coordinators, and workers in their health and safety activities.
- Take action immediately when a worker or supervisor tells you about a potentially hazardous situation.
- Initiate an immediate investigation into incidents.
- Immediately report serious incidents to WorkSafeBC.
- Provide adequate first aid facilities and services.
- Provide personal protective equipment where required.

Supervisor responsibilities

- Instruct workers in safe work procedures.
- Train workers for all tasks assigned to them, and check that their work is being done safely.
- Ensure that only authorized, adequately trained workers operate tools and equipment or use hazardous chemicals.
- Ensure that equipment and materials are properly handled, stored, and maintained.
- Enforce health and safety requirements.
- Correct unsafe acts and conditions.
- Identify workers with problems that could affect safety at the worksite. Follow up with interviews and referrals where necessary.
- Develop appropriate health and safety rules and inspect the workplace for hazards.

Worker responsibilities

- Know and follow the health and safety requirements affecting your job.
- Use all safety gear and protective clothing when and where required.
- Don't assume you can do work you've never done before. Ask your employer for training so you know how to do it safely before you begin work.
- Always work safely and encourage your co-workers to do the same.
- Immediately correct unsafe conditions or report them right away to your employer.
- Immediately report any injury to a first aid attendant or supervisor.
- If you have any doubts about your safety, talk to your employer. Take the initiative — make suggestions to improve health and safety at work.

For more information

If you have questions about workplace health and safety issues, call the WorkSafeBC Prevention Line at 604 276-3100 or toll free at 1 888 621-SAFE (7233), or visit WorkSafeBC.com and follow the link to Safety at Work where you'll find a variety of occupational health and safety resources that can be downloaded free of charge. You can also purchase a number of safety publications and DVDs by visiting our online web store at www.worksafebcstore.com.

In 2005, 188 workers
lost their lives due to
work-related causes.





WORK BC

WORKING TO MAKE A DIFFERENCE